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SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

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FORM 10-Q

[X]QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 1992

OR

[ ]TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from

Commission File Number 0-6324

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NATIONAL BANCSHARES CORPORATION OF
(Exact Name of Registrant as Specified in its Charter)

Texas	74-1692337
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
85 N. E. Loop 410, Suite 200 San Antonio, TX	78216
(Address of principal executive offices)	(Zip Code)

(Registrant's telephone number including area code)
(512) 340-4973

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Sections 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such report(s), and(2) has been subject to such filing requirements for the past 90 days.

Yes √ No ____

As of March 31, 1992, there were 11,869,516 shares of the registrant's Common Stock outstanding.

PART I
Financial Information

Item 1. - Financial Statements

NATIONAL BANCSHARES CORPORATION OF TEXAS AND SUBSIDIARIES
FINANCIAL HIGHLIGHTS
(Dollars in Thousands, Except Per Share Amounts)
(Unaudited)

	1992	1991
Three Months Ended March 31:		
Net income(loss)	$ (22)	$ 368
Earnings(loss)per share-primary	(.00)	.03
Earnings(loss)per share-fully diluted	(.00)	.03
Average assets	207,128	255,926
Average loans, net of discounts	105,780	153,321
Average deposits	189,554	237,694
At March 31:		
Assets	$ 206,472	$ 256,060
Loans, net of discounts	102,578	144,543
Deposits	188,819	237,526
10% Convertible Subordinated Debentures	25,000	25,000
Other borrowings	7,554	7,544
Shareholders' deficit	(20,092)	(18,213)
Number of shares outstanding	11,869,516	11,869,516
Shareholders' deficit per share	$ (1.69)	$ (1.53)

Transfer Agent
NationsBank of Texas

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NATIONAL BANCSHARES CORPORATION OF TEXAS AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Dollars in Thousands, Except Per Share Amounts)
(Unaudited)

	March 31 1992	March 31 1991	Dec 31 1991
Assets:			
Cash and due from banks	$ 10,059	$ 11,438	$ 12,952
Federal funds sold	12,600	30,975	12,275
Total cash and cash equivalents	22,659	42,413	25,227
Time deposits with banks	1,360	384	1,458
Investment securities	74,974	66,161	68,866
Loans	105,979	151,866	112,327
Unearned discounts	(3,401)	(7,323)	(4,067)
Loans, net of unearned discounts	102,578	144,543	108,260
Allowance for possible credit losses	(7,061)	(9,859)	(7,155)
Net loans	95,517	134,684	101,105
Bank premises and equipment, net	4,018	4,360	4,039
Repossessed assets, net	5,577	5,238	5,253
Other assets	2,367	2,820	2,072
	$ 206,472	$ 256,060	$ 208,020
Liabilities and Shareholders' Deficit:			
Deposits:			
Noninterest-bearing	$ 26,258	$ 28,518	$ 28,600
Interest bearing	162,561	209,008	161,779
Total deposits	188,819	237,526	190,379
Accrued pension cost	472	---	472
Other liabilities	2,370	2,294	2,467
Total liabilities	191,661	239,820	193,318
Liabilities deferred pursuant to Chapter 11 reorganization proceeding	34,903	34,453	34,772
Shareholders' deficit:			
Common stock of $5 par value; authorized 20,000,000 shares; issued 11,869,516 shares at March 31, 1992, December 31, 1991 and March 31, 1991	59,347	59,347	59,347
Surplus	55,916	55,916	55,916
Deficit	(135,355)	(133,476)	(135,333)
Total shareholders' deficit	(20,092)	(18,213)	(20,070)
	$ 206,472	$ 256,060	$ 208,020

See accompanying notes to consolidated financial statements

NATIONAL BANCSHARES CORPORATION OF TEXAS AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Dollars in Thousands, Except Per Share Amounts)
(Unaudited)

	Three Months Ended March 31	
	1992	1991
Interest Income:		
Loans	$ 2,721	$ 4,514
Time deposits with banks	21	3
Federal funds sold	125	330
Investment securities:		
Taxable	1,176	1,058
Tax-exempt	16	40
Total interest income	4,059	5,945
Interest Expense:		
Deposits	1,643	3,268
10% Convertible Sub.Debentures	---	---
Other borrowings	131	130
Total interest expense	1,774	3,398
Net interest income	2,285	2,547
Provision for possible credit losses	173	425
Net interest income(expense)after provision for possible credit losses	2,112	2,122
Noninterest Income:		
Trust income	(6)	6
Service charges on deposits	328	311
Other service charges	85	124
Gain/(loss)on investment securities	---	68
Other	66	11
Total noninterest income	473	520
Noninterest Expenses:		
Salaries and benefits	1,062	1,237
Net occupancy	160	185
Equipment	98	83
Net expenses related to repossessed assets	17	59
Other	1,270	710
Total noninterest expenses	2,607	2,274
Income(loss)before taxes	(22)	368
Income tax expense (benefit)	---	---
Net income (loss)	$ (22)	$ 368
Per Share:		
Earnings(loss)-primary	$ (.00)	$ .03
Earnings(loss)-fully diluted	(.00)	.03

See accompanying notes to consolidated financial statements.

NATIONAL BANCSHARES CORPORATION OF TEXAS AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (DEFICIT)
(Dollars in Thousands)
(Unaudited)

	Common Stock	Surplus	Deficit	Total
Balance at January 1, 1991...	$59,347	$55,916	$(133,844)	$ (18,581)
Net income.....	---	---	(1,489)	(1,489)
Balance at December 31, 1991	59,347	55,916	(135,333)	(20,070)
Net income(loss).....	---	---	(22)	(22)
Balance at March 31, 1992	$59,347	$55,916	$(135,355)	$(20,092)

See accompanying notes to consolidated financial statements.

NATIONAL BANCSHARES CORPORATION OF TEXAS AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in Thousands)
(Unaudited)

	Three Months Ended March 31	
	1992	1991
Operating Activities:		
Net income (loss)	$ (22)	$ 368
Adjustments to reconcile net income(loss)to net cash used by operating activities:		
Gainon sales of investment securities	---	(68)
Security premium amortization, net of accretion	123	(367)
Provision for possible credit losses	173	425
Depreciation on premises and equipment	78	78
Valuation adjustments on repossessed assets.	22	10
Gain on sales of repossessed assets	(60)	(32)
Increase in other assets	(322)	(257)
Increase(decrease) in other liabilities	36	(33)
Net cash (provided) by operations	28	124
Investing Activities:		
(Increase) in time deposits	98	(384)
Proceeds from paydown or maturity of investment securities	5,370	23,587
Proceeds from sales of investment securities	---	17,418
Purchases of investment securities	(11,574)	(58,005)
Decrease in loans	3,817	15,163
Purchases of premises and equipment	(57)	(92)
Sales of repossessed assets	1,312	1,596
Net cash (used) by investing activities	(1,034)	(717)
Financing Activities:		
Increase in transaction accounts	926	6,327
(Decrease) in certificates of deposit	(2,488)	(7,146)
Net cash used by financing activities	(1,562)	(819)
Net decrease in cash and cash equivalents	(2,568)	(1,412)
Cash and cash equivalents at beginning of period	25,227	43,825
Cash and cash equivalents at end of period	$ 22,659	$ 42,413
Supplemental Disclosures of Cash Flow Information:		
Cash paid for interest expense	$ 1,647	$ 3,207
Cash received for income taxes	---	---

See accompanying notes to consolidated financial statements.

NATIONAL BANCSHARES CORPORATION OF TEXAS

Notes to Consolidated Financial Statements

Basis of Presentation

The accounting and reporting policies of National Bancshares Corporation of Texas and Subsidiaries (the "Corporation" or "NBC") conform with generally accepted accounting principles and with general practices within the banking industry.

The accompanying consolidated financial statements have not been audited by independent certified public accountants, but in the view of management contain all adjustments (which are of a normal recurring nature) necessary for a fair presentation of the NBC's financial position and results of operations.

The significant accounting policies used by the Corporation in preparation of its quarterly financial statements included in this report are consistent with those policies followed on an annual basis. These policies are presented in the 1991 Annual Report on Form 10-K.

The accompanying consolidated financial statements include the accounts of the parent company and all subsidiaries. However, all significant intercompany balances and transactions have been eliminated in consolidation. Certain items in the consolidated financial statements of the previous year have been reclassified in conformity with the 1991 presentation. These reclassifications had no effect on total assets, liabilities or reported results of operations.

On June 1, 1990, the Office of the Comptroller of the Currency (the "OCC"), declared nine of the Corporation's twelve subsidiary banks insolvent and appointed the Federal Deposit Insurance Corporation ("FDIC") as receiver for each of the Closed Banks. Because of the closing of the nine insolvent banks ("Closed Banks"), the Corporation is treated for purposes of financial reporting as having lost control of the Closed Banks on June 1, 1990.

Current Status of the Corporation

National Bancshares Corporation of Texas (the "Corporation") is a debtor-in-possession seeking to undergo a reorganization pursuant to a confirmed Plan of Reorganization under Chapter 11 of the United States Bankruptcy Code ("Chapter 11") in a proceeding, Case No. 90-51814K-11, that is pending before the United States Bankruptcy Court for the Western District of Texas, San Antonio Division ("Bankruptcy Court").

As previously disclosed, the institution of the Chapter 11 case, filed on June 8, 1990, resulted principally from the termination of the proposed "open bank" recapitalization involving the FDIC and the closing by federal banking regulators June 1, 1990 of nine of the Corporation's twelve banking subsidiaries ("Closed Banks").

The Corporation's principal assets at March 31, 1992 consisted of all of the outstanding capital stock of two national banking associations, NBC Bank-Eagle Pass, N.A. ("Eagle Pass") and NBC Bank-Laredo, N.A. ("Laredo"), and one state banking association, NBC Bank-Rockdale ("Rockdale") (collectively "member banks," "subsidiary banks," or "subsidiaries"). These subsidiaries are not parties to the Chapter 11 proceeding.

The Corporation engages in commercial and consumer banking services and trust services through the subsidiary banks and continues to operate its business and manage its properties as a debtor-in-possession. As of March 31, 1992, Eagle Pass failed to meet certain regulatory capital requirements. For a discussion of the regulatory capital of all the member banks, see Management's Discussion and Analysis of Financial Condition and Results of Operations - Capital Resources.

As of March 31, 1992, the following banking subsidiaries had total assets, total loans and total deposits as follows:

	Total Assets	Total Loans	Total Deposits
NBC Bank-Eagle Pass, N.A.	$ 109,269	63,234	105,908
NBC Bank-Laredo, N.A.	40,901	21,478	35,520
NBC Bank-Rockdale	51,280	17,865	47,391

The Corporation is operating these banking subsidiaries through the Chapter 11 proceeding, subject to the conditional waiver by the FDIC of its so-called "cross-guaranty" powers under Section 206 of the Financial Institution Reform, Recovery and Enforcement Act of 1989 ("FIRREA"), as provided under the confirmed Plan of Reorganization. On April 14, 1992, the FDIC issued an order conditionally granting approval for waiver of cross-guaranty for each of the subsidiary banks. The FDIC's waiver of the cross-guaranty powers is conditioned generally on the consummation of the provisions of the confirmed plan of reorganization, discussed below. The reorganized Corporation will continue to operate Eagle Pass and Laredo and will undertake efforts to sell Rockdale in an effort to generate sufficient cash to provide for the payment of its creditors.

As previously disclosed, the Corporation filed with the Bankruptcy Court the Second Amended Joint Plan of Reorganization under Chapter 11 of the United States Bankruptcy Code proposed by National Bancshares Corporation of Texas and the Statutory Committee of Unsecured Creditors ("Second Amended Plan of Reorganization") together with the First Amended Disclosure Statement with respect to the Second Amended Joint Plan of Reorganization under Chapter 11 of the United States Bankruptcy Code proposed by National Bancshares Corporation of Texas and the Statutory Committee of Unsecured Creditors ("Disclosure Statement"). As previously disclosed, the Second Amended Plan of Reorganization provides for the reorganized Corporation to fund certain capital contributions to Eagle Pass totalling approximately $3 million. In addition, the Second Amended Plan of Reorganization provides for the payment of administrative claims and allowed priority claims in cash in full. Any tax claims will be paid in full through deferred cash payments over a six-year period under the Second Amended Plan of Reorganization. Under the Plan of Reorganization, holder of the Texas Bank claim will receive approximately $1.5 million plus interest representing the amount of a post-petition dividend paid by Laredo to the Corporation ("Laredo Dividend") and a note in an amount equal to $5,173,000 less the amount of the Laredo Dividend, which note will be secured by an interest in the stock of Laredo, Eagle Pass and Rockdale. In addition, in satisfaction of its claim, the FDIC will receive under the Second Amended Plan of Reorganization (i) a $3 million note, (ii) an assignment of the rights of the Corporation to assert certain claims against Equimark arising from the 1990 proposed "open bank" assistance transaction, (iii) a release from certain claims of the Corporation related to the FDIC's action prior to the commencement of the Chapter 11 case, and (iv) a contingent right to receive a $1.5 million note in the future. The Corporation's obligations to the FDIC will be secured by a second lien on the

capital stock of Laredo, Eagle Pass and Rockdale and the Corporation's real estate. Under the Second Amended Plan of Reorganization, holders of senior debentures of the Corporation will receive 100% of the preferred stock of the reorganized Corporation with an aggregate liquidation amount equal to the face amount of such claims. Holders of the Corporation's 10% Convertible Subordinated Debentures due 2006 and general unsecured creditors will receive a pro rata distribution of 100% of the common stock of reorganized Corporation. In addition, the Corporation's outstanding common stock will be cancelled and holders will receive nothing under the Second Amended Plan of Reorganization.

As also previously disclosed, on February 6, 1992, the Bankruptcy Court approved the Disclosure Statement for mailing to all creditors entitled to vote on the Second Amended Plan of Reorganization. On or before February 28, 1992, the Corporation caused a copy of the Disclosure Statement, the Second Amended Plan of Reorganization, a ballot or master ballot, and all exhibits relating thereto to be mailed to all creditors and other parties in interest.

In April 1992, the Corporation and its Statutory Committee of Unsecured Creditors ("Creditors' Committee") (collectively "Plan Proponents") made certain minor amendments to the Second Amended Plan of Reorganization. These amendments added certain voting, redemption, and conversion rights to the preferred stock, which is to be issued by the Corporation to the holders of the senior unsecured claims against the Corporation. These amendments were approved by the Bankruptcy Court pursuant to the applicable provisions of the Bankruptcy Code and rules thereunder (thereafter the Second Amended Plan of Reorganization became the "Third Amended Plan of Reorganization").

On April 16, 1992, the Bankruptcy Court conducted a hearing on the Third Amended Plan of Reorganization. After consideration of objections to confirmation and upon record of confirmation hearing and all evidence adduced and arguments of counsel made at the confirmation hearing, the Bankruptcy Court confirmed the Third Amended Plan of Reorganization in accordance with the applicable provisions of the Bankruptcy Code. The Bankruptcy Court found, among other things, that the third Amended Plan of Reorganization satisfied the "best interests" test, namely that each holder of a claim or equity interest entitled to vote had accepted the Third Amended Plan of Reorganization or will receive or retain under the Third Amended Plan of Reorganization property of a value, as of the effective date of the Third Amended Plan of Reorganization, that is not less than the amount that such holder would receive or retain if the Corporation were liquidated under Chapter 7 of the Bankruptcy Code. The Bankruptcy Court further found, among other things, that each impaired class of claims entitled to vote had accepted the Third Amended Plan of Reorganization and that the Third Amended Plan of Reorganization does not discriminate unfairly and is "fair and equitable" with respect to the common shareholder interests that are impaired thereunder and deemed to have rejected the Third Amended Plan of Reorganization. Based on the evidence presented, the Bankruptcy Court found that the Third Amended Plan of Reorganization is "feasible;" that is the Third Amended Plan of Reorganization offers a reasonable prospect of success and that confirmation of the Third Amended Plan of Reorganization is not likely to be followed by the liquidation or the need for further financial reorganization of the Corporation. Finally, the Bankruptcy Court found, among other things, that the Third Amended Plan of Reorganization complies with all other applicable provisions of the Bankruptcy Code, that the Corporation and the Creditors' Committee as joint Plan Proponents have complied with the applicable provisions of the Bankruptcy Code and that the Third Amended Plan of Reorganization was proposed in good faith and not by any means forbidden by law.

Generally, under the Bankruptcy Code, confirmation of the Third Amended Plan of Reorganization will have the following consequences. The provisions of the Third Amended Plan of Reorganization will be binding on the Corporation, any entity acquiring property thereunder, and all creditors and shareholders of the Corporation, whether or not the claim or interest of such creditors or shareholders is impaired under the Third Amended Plan of Reorganization and whether or not such creditors or shareholders accepted the Third Amended Plan of Reorganization. Additionally, except as otherwise provided in the Third Amended Plan of Reorganization or the confirmation order, the confirmation of the Third Amended Plan of Reorganization vests all of the property of the estate in the Corporation. Further, except as otherwise provided in the Third Amended Plan of Reorganization or the confirmation order, the property dealt with by the Third Amended Plan of Reorganization is generally free and clear of all claims and interests of creditors and shareholders after confirmation of the Third Amended Plan of Reorganization. Finally, except as otherwise provided in the Third Amended Plan of Reorganization or the confirmation order, confirmation of the Third Amended Plan of Reorganization (a) discharges the Corporation from any debt that arose before the date of such confirmation and certain other types of debt specified in the Bankruptcy Code whether or not (i) a proof of claim based on such debt is filed or deemed filed pursuant to the applicable provisions of the Bankruptcy Code and rules thereunder, (ii) such claim is allowed, or (iii) the holder of such claim has accepted the Third Amended Plan of Reorganization, and (b) terminates all rights and interests of shareholders provided for by the Third Amended Plan of Reorganization.

Unless an extension is agreed to by the major parties in interest, consummation of the Third Amended Plan of Reorganization is presently scheduled to occur on or before May 26, 1992.

The Bankruptcy Court has also determined that confirmation of the Third Amended Plan of Reorganization has rendered moot any consideration of the previously disclosed disclosure statement filed by Texas Bank and that there is no basis for going forward with the competing plan of reorganization filed by Texas Bank. Accordingly, by order dated April 23, 1992, the Bankruptcy Court denied approval of the Texas Bank disclosure statement.

Despite the findings of the Bankruptcy Court regarding the feasibility of the Third Amended Plan of Reorganization and management's good faith belief that such plan is feasible, due to the inherent risks associated with any corporation seeking to undergo a Chapter 11 reorganization and other factors beyond the control of the Corporation, there can be no assurance that the Corporation will be able to continue as a going concern as it is currently configured. The Corporation's financial statements were prepared in conformity with generally accepted accounting principles on a going concern basis. They do not reflect the effects of any adjustments related to recoverability or classification of assets and amounts and classification of liabilities that might be necessary should the Corporation be unable to continue operations with its current capital structure.

At March 31, 1992, the Corporation had $34.9 million in pre-petition liabilities consisting of $32.5 million of long-term debt and $2.3 million of other liabilities.

By its letter dated July 7, 1990, and subsequent telephone confirmation, the National Association of Securities Dealers (the "NASD") notified the Corporation that the Corporation's Common Stock, $5.00 par value (the "Common Stock"), and its 10% Convertible Subordinated Debentures due 2006 (the "Debentures") have been removed from the NASDAQ National Market System (the "System"). The removal from the System was effective June 22, 1990, for the Common Stock and July 10, 1990, for the Debentures.

Currently, neither the Common Shares or the Debentures is quoted on an inter-dealer quotation system.

Investment Securities

The amortized costs and market values of investment securities are presented in the following table:

	March 31, 1992			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Market Value
		(Dollars in Thousands)		
U.S. Treasury and other U.S. Government agencies and corporations	$ 58,631	$ 747	$ 75	$ 59,303
Mortgage backed securities	14,968	235	26	15,177
Obligations of states and political subdivisions	1,121	66	---	1,187
Other	254	---	---	254
Totals	$ 74,974	$ 1,048	$ 101	$ 75,921

	December 31, 1991			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Market Value
		(Dollars in Thousands)		
U.S. Treasury and other U.S. Government agencies and corporations	$ 49,342	$ 1,185	$ 6	$ 50,521
Mortgage Backed Securities	17,829	466	---	18,295
Obligations of states and political subdivisions	1,441	43	8	1,476
Other	254	---	---	254
Totals	$ 68,866	$ 1,694	$ 14	$ 70,546

	March 31, 1991			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Market Value
		(Dollars in Thousands)		
U.S. Treasury and government agency securities	$ 18,823	$ 42	$ 2	$ 18,863
Mortgage backed securities	44,599	100	51	44,648
Obligations of states and political subdivisions	2,335	43	403	1,975
Other	404	---	---	404
	$ 66,161	$ 185	$ 456	$ 65,890

Loans and Allowance for Possible Credit Losses

Loans outstanding by type are presented in the following table:

	March 31				December 31	
	1992		1991		1991	
	(Dollars in Thousands)					
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Commercial and industrial	$ 13,280	12.9%	$ 29,627	20.5%	$ 15,727	14.5%
Construction and land development	10,340	10.1	11,285	7.8	11,061	10.2
Real estate mortgage	35,379	34.5	38,874	26.9	38,096	35.2
Consumer	46,980	45.8	72,080	49.9	47,443	43.9
Total loans	105,979	103.3	151,866	105.1	112,327	103.8
Unearned discounts	(3,401)	(3.3)	(7,323)	(5.1)	(4,067)	(3.8)
Loans, net of unearned discounts	$102,578	100.0%	$ 144,543	100.0%	$ 108,260	100.0%

The following table summarizes the transactions in the allowance for possible credit losses account:

	Three Months Ended March 31		Year Ended December 31
	1992	1991	1991
	(Dollars in Thousands)		
Beginning balance	$ 7,155	$ 10,115	$ 10,115
Provision charged against operations	173	425	790
Charge-offs	(647)	(1,029)	(5,454)
Recoveries	380	348	1,704
Net charge-offs	(267)	(681)	(3,750)
Ending balance	$ 7,061	$ 9,859	$ 7,155

Nonperforming Loans and Repossessed Assets

Nonperforming loans and repossessed assets consisted of the following:

	March 31		December 31
	1992	1991	1991
	(Dollars in Thousands)		
Nonaccrual loans	$ 5,720	$ 12,298	$ 6,451
Repossessed assets, net	5,577	5,238	5,253
	$ 11,297	$ 17,536	$ 11,704

Included in repossessed assets at March 31, 1992, March 31, 1991, and December 31, 1991, were substantive repossessions in the amount of $1.9 million, $380 thousand and $1.5 million, respectively.

For the quarters ended March 31, 1992, and 1991, $1.6 million and $1.1 million, respectively, was transferred from loans to other real estate as such collateral was repossessed or determined to be substantively repossessed. Reductions in fair values of repossessed assets are charged against operations, and are included in the noninterest expenses category - net expenses related to repossessed assets - on the Corporation's consolidated statements of operations.

A summary of transactions in the allowance for losses on repossessed assets follows:

	Three Months Ended March 31		Year Ended December 31
	1992	1991	1991
	(Dollars in Thousands)		
Beginning balance	$ 4,185	$ 5,733	$ 5,733
Provision charged against operations	22	10	235
Charge-offs	(221)	---	(1,793)
Ending balance	$ 3,986	$ 5,743	$ 4,185

Liabilities Deferred Pursuant to Chapter 11 Reorganization Proceedings

Detail of the liabilities deferred pursuant to Chapter 11 reorganization proceedings as of March 31, 1992, follows (dollars in thousands):

Secured bank debt	$ 4,950
Long-term debt	27,604
Other liabilities	2,349
	$34,903

After filing for bankruptcy protection on June 8, 1990, the Corporation stopped accruing interest on the long-term debt included in the filing because no interest on long-term debt may be paid without Bankruptcy Court approval during the pendency of the Chapter 11 proceeding. Resolution of this debt obligation will be made in accordance with the Third Amended Plan of Reorganization as discussed herein.

Additionally, in connection with the acquisition of various banks over the years, the Corporation has assumed certain long-term obligations of the former parent companies of those banks. At March 31, 1992, these obligations totaled approximately $2.6 million. A principal payment of approximately $369 thousand was contractually due during the third quarter of 1991 and 1990. However, because of the Corporation's filing of the Chapter 11 proceeding on June 8, 1990, the Corporation is prohibited from making further debt payments without the authorization of an order issued by the Bankruptcy Court. Resolution of these debt obligations will be made in accordance with the Third Amended Plan of Reorganization, as discussed herein.

At March 31, 1992, $4.95 million remained outstanding on the Corporation's line of credit of $5.0 million from Team Bank, a successor to TAB/FW, the original lender. As security for the loan, the Corporation granted to TAB/FW a security interest in all the capital stock of NBC Bank-Eagle Pass, N.A., NBC Bank-Laredo, N.A., and the former NBC Bank-Rio Grande Valley, N.A. (closed by the FDIC on June 1, 1990) (the "Collateral Subsidiaries"). At March 31, 1992, the remaining Collateral Subsidiaries represented approximately 74.5% of the consolidated banking assets of the Corporation. Resolution of the debt obligation will be made in accordance with the Third Amended Plan of Reorganization, as discussed herein.

Preferred Stock

The Corporation has 2,000,000 authorized shares of preferred stock of $10 par value. No shares were issued or outstanding as of March 31, 1992.

Commitments, Contingencies and Regulatory Agreements

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require the payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Corporation evaluates each customer's credit worthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Corporation upon extension of credit, is based on management's credit evaluation of the counter-party. Collateral held varies, but may include residential and commercial real estate, certificates of deposit, accounts receivable, and inventory. At March 31, 1992, the Corporation had $1.5 million outstanding loan commitments.

Letters of credit are written conditional commitments issued by the Corporation to guarantee the performance of a customer to a third party. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. At March 31, 1992, the Corporation had $446 thousand under standby letters of credit. Management anticipates no material losses as a result of these transactions.

The Corporation's exposure to credit loss in the event of nonperformance by the other party on such financial instruments is represented by the contractual amounts of the instruments. The Corporation uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments. The Corporation controls the credit risk of these transactions through credit approvals, limits, and monitoring procedures.

At March 31, 1992, the Corporation's loans are primarily to borrowers located within the immediate geographic area of Eagle Pass, Laredo, Rockdale, San Antonio, Houston and Corpus Christi.

The Corporation and certain of its subsidiaries are defendants from time to time with respect to certain claims incidental to their businesses, including principally so-called lender liability claims in which borrowers, bankruptcy trustees, creditors and others assert claims that the Corporation or a subsidiary bank failed to act in good faith with respect to loan negotiations or workout practices or breached commitments to advance funds. Many of these claims have been asserted as counterclaims in lawsuits initiated by a subsidiary bank seeking to recover amounts due the bank as a result of delinquent loans. The following lawsuits are currently pending against the Corporation:

A. Hilton Development, Inc. et al. v. National Bancshares Corp. of Texas, J. Whetsell, G. Brown, P. Coyne, J. Mann, J. Rollins, G. Ferguson, et al., No. C-89-00144-02, now consolidated with Clash, Inc. d/b/a Pilgrim Laundry v. Hilton Development, Inc., et al. v. NBC Bank-Houston, N.A., et al., No. 87-06192, in the District Court of Harris County, Texas 133rd Judicial District.

This suit was filed on December 9, 1988, and Plaintiffs allege fraud, breach of promise, conspiracy, usury, violation of the Deceptive Trade Practices Act and negligent misrepresentation in connection with a construction loan. No discovery has been conducted to date. Upon information and belief, trial had been set for March 1992. The automatic stay has not been lifted to allow prosecution of the suit against the Debtor to proceed.

B. Margaret Laymon v. NBC Bank-Edinburg a/k/a NBC Bank-Rio Grande Valley, N.A., National Bancshares Corporation of Texas, R. Calvert, M. Johnson, P. Rodriguez and FDIC, No. C-3844-87-D, in the District Court of Hidalgo County Texas, 206th Judicial District.

Plaintiff held two CD's styled in her name and Richard Laymon in First State Bank & Trust Company, Edinburg, which bank was placed into receivership and its assets and liabilities were purchased by NBC Bank-Rio Grande Valley. Plaintiff attempted to withdraw the CD's; however, she was unable to do so since they were being held to pay a debt owed by Richard Laymon. Plaintiff, asserting that Richard Laymon had no real ownership interest in the CD's, in 1987 sued for alleged violations of Deceptive Trade Practices Act and conversion. In March 1990, Plaintiff added the Corporation as a defendant alleging that the Corporation was directly involved in "holding" the CD's. The automatic stay has not been lifted to allow prosecution of the suit against the Corporation to proceed.

The FDIC, as Receiver for the former First State Bank, has indicated to the Corporation that pursuant to the terms of the Purchase and Assumption Agreement by which First State Bank assets and liabilities were purchased, the FDIC will indemnify the Corporation in this matter.

C. Maria Magdalena Trevino as next friend of her son, Jesus Trevino, a person of unsound mind v. National Bancshares Corporation of Texas, Manuel Baez Flores and Sylvia Trevino, Cause No. C-90-00113-02, in the District Court of Webb County, Texas, 111th Judicial District.

Plaintiff was injured in an auto accident involving an employee of the Corporation or its then affiliate, NBC Bank-San Antonio (which bank is now in an FDIC receivership), engaged in the employer's business. Defendant's insurer reached a settlement which Plaintiff, via next of friend, seeks to overturn alleging that as a result of the accident, Plaintiff was rendered incompetent and that Plaintiff's then wife and the Defendants defrauded Plaintiff by entering into a settlement agreement which allowed the wife to receive the settlement proceeds. The Corporation's insurer has assumed the defense. The automatic stay has not been lifted to allow prosecution of the suit against the Corporation to proceed.

D. NBC Bank-San Antonio, N.A. v. E. W. Schrader and Nell Y. Schrader v. National Bancshares Corporation of Texas, Cause No. 89-CI-08760, in the District Court of Bexar County, Texas, 224th Judicial District.

NBC Bank-San Antonio filed suit to collect on a note owed by Defendant Schrader. Defendant Schrader alleges he was induced to obtain the loan and remit the proceeds to NBC Bank-Corpus Christi to pay sums allegedly due the latter bank by Defendant's son, under an agreement with the Corporation that no action would be taken against his son. Defendant claims that the Corporation breached this contract--as a referral on the son's activities was made to the bonding company--and Defendant, therefore, in November 1989, added Bancshares as a Third-Party Defendant in this matter. Defendant alleges breach of contract and seeks cancellation of all notes. The automatic stay has not been lifted to allow prosecution of the suit against the Corporation to proceed.

The Bankruptcy Code provides that any actions against the Corporation, a debtor-in-possession, are automatically stayed and cannot be further pursued without the prior approval of the Bankruptcy Court. As discussed herein, confirmation of the Third Amended Plan of Reorganization results in the Corporation being discharged from any debt or liability on a claim that arose prior to the confirmation date regardless of whether: 1) a proof of claim based on such debt is filed or deemed to have been filed, 2) such claim is allowed, or 3) the holder of such claim has accepted the Third Amended Plan of Reorganization. Further, under the Corporation's Third Amended Plan of Reorganization, holders of claims against and equity interests in the Corporation will generally be enjoined from commencing, continuing, or otherwise taking any action or proceeding with respect to any claim or equity interest or otherwise asserting any claim against the corporation.

The Bank Secrecy Act and applicable regulations require financial institutions to file Currency Transaction Reports ("CTRs") with the IRS providing certain

information regarding cash transactions in excess of $10,000 by customers who are not exempt from the requirement ("Covered Transactions"). In July 1986, Eagle Pass reported to the Treasury Department that it could not confirm that the Bank had timely filed certain CTRs with respect to what were believed to be Covered Transactions. Details regarding the transactions were provided to the Treasury, and the Bank instituted additional procedures to ensure that all required CTRs were filed. Supplemental information has been provided to the Treasury, with the last correspondence occurring in early 1989. The Bank has not been advised what, if any, remedial action will be required by the Treasury.

The Corporation and its subsidiaries own various parcels of real estate, including bank premises and a number of parcels acquired through foreclosure or otherwise obtained in partial satisfaction of debts owed the banks. Certain of these parcels may contain hazardous materials or otherwise give rise to claims against the banks for environmental contamination, clean up costs or other liability derived from applicable state,or federal statutory or common law and regulations. No claims against the Corporation or its Subsidiaries have been asserted at this time.

As previously disclosed, the Corporation was advised by its actuaries that if the Corporation were to continue sponsorship of the Corporation's pension plan ("Pension Plan") at its present level or terminate it under applicable law, such options may have a material adverse impact on the Corporation's efforts to undergo a successful reorganization. In this connection, the Corporation had previously entered into a letter agreement dated February 28, 1991 ("Letter Agreement") with NationsBank providing, among other things, for the global settlement of a number of issues including, without limitation, the assumption by NationsBank of the sponsorship of the Corporation's Pension Plan. However, NationsBank had indicated that it would not assume sponsorship of the Pension Plan despite the Letter Agreement, and, to avoid expensive and protracted litigation, the Corporation and NationsBank have been engaging in settlement discussions by exploring the possibility of modifying the Letter Agreement.

The Corporation and NationsBank have now reached a successful conclusion to such settlement discussions to modify the Letter Agreement, and the Bankruptcy Court by order dated April 23, 1992 has approved the terms of the settlement agreement. Generally, the settlement with NationsBank provides for the transfer of certain assets and liabilities of the Corporation's Pension Plan to NationsBank pursuant to section 414(l) of the Internal Revenue Code. While this transfer enables the Corporation to consider the option of terminating or continuing sponsorship of the portion of the Pension Plan that is remaining with the Corporation, the Corporation has been advised by its actuaries that due to the fluctuation in interest rates and other market forces there can be no assurance that the continuation in sponsorship or termination of the Corporation's portion of the Pension Plan could be achieved in a manner that would not result in a material adverse impact on the financial condition of the Corporation or its subsidiary banks in the future.

As also previously disclosed, the Internal Revenue Service ("IRS") may attempt to assert a substantial claim for income taxes against the Corporation based on the FDIC's provision of assistance in connection with the transactions pursuant to which the assets and liabilities of the Corporation's Closed Banks were transferred to NationsBank on June 1, 1990. In May of 1990, prior to the date the Closed Banks' assets and liabilities were transferred to NationsBank, the Corporation conveyed (the "Transfer") 21% of the stock of its Closed Banks and

21% of the stock of Eagle Pass to Bellarmino Limited, an Irish subsidiary of the Corporation. Among other consequences, management believes that, as a result of the Transfer, the Closed Banks and Eagle Pass became ineligible to continue filing consolidated federal tax returns as members of the affiliated group of which NBC is the common parent (the "NBC Group"). If the Transfer is respected by the IRS, any potential liability of NBC for taxes attributable to the provision of assistance may be eliminated. On the other hand, the IRS may argue that the Transfer did not effectively eliminate the tax liability attributable to the FDIC's provision of assistance. The Corporation has also taken an additional step to attempt to ensure that the Closed Banks were not members of the NBC Group at the time the FDIC provided financial assistance to NationsBank with respect to the Closed Banks. This additional step involved the filing on December 10, 1991 of an application to deconsolidate under IRS Revenue Procedure 91-11.

The final resolution of the Corporation's deconsolidation efforts is significant to the Corporation. While the IRS has not indicated whether or not it will respect the Corporation's deconsolidation efforts, the Corporation is aware of no apparent reason why relief should not be granted. Nevertheless, should the IRS successfully contend that both the Transfer and the subsequent application to deconsolidate pursuant to IRS Revenue Procedure 91-11 were ineffective, the Corporation believes it has a reasonable legal position that the provision of FDIC assistance to NationsBank did not result in net taxable income to the consolidated group of which NBC was then and is now the common parent. If neither the Corporation's deconsolidation efforts nor its legal position is successful, the Corporation could be liable for federal income taxes attributable to the payment of assistance by the FDIC to NationsBank. The Corporation believes that it is possible that any such income tax liability could virtually eliminate all potential recoveries to the Corporation's creditors and therefore may have a material adverse impact on the reorganization efforts as well as the financial condition of the Corporation and its subsidiary banks. It is also possible, however, that the IRS may adopt as final regulations certain proposed regulations that may reduce or eliminate the Corporation's exposure for such taxes regardless of whether the IRS accepts the Corporation's deconsolidation efforts.

As a result of a 1987 inspection of the Corporation, the Corporation entered into a memorandum of understanding with the Federal Reserve Bank of Dallas ("Federal Reserve") in August 1987 evidencing certain understandings and mutual concerns regarding the satisfactory resolution of certain matters raised during the inspection. These matters included, among others, (i) ensuring capital adequacy of the Corporation and its subsidiaries, (ii) reducing reliance on commercial paper and other short-term funding at the parent company level, (iii) establishing and maintaining effective loan officer grading of loans and an effective asset review function, (iv) continuing to prepare and submit asset review reports and a consolidated loan summary by grade to the Board of Directors at least quarterly, (v) continuing to ensure each bank subsidiary establishes and maintains adequate valuation reserves for loan losses, and (vi) reevaluating its strategic plan and compliance with the Federal Reserve's policy on cash dividends to shareholders not fully covered by earnings.

The OCC has notified the Corporation that in its review as of March 31, 1988, the Corporation was not in compliance with items (i), (iii), (v) and (vi) above. However, under the terms of its memorandum of understanding with the Federal Reserve, the Corporation is restricted from paying cash dividends by the Federal Reserve's policy on cash dividends not fully covered by earnings. To the extent there are not earnings sufficient to cover cash dividends within the meaning of the Federal Reserve policy, the memorandum of understanding will have a material adverse effect on the Corporation's ability to pay cash dividends.

In addition, under an agreement with the Texas Department of Banking, Rockdale is prohibited from paying cash dividends without prior approval of the Texas Banking Commissioner and the regional director of the FDIC. If the Corporation is at any time substantially dependent on Rockdale for the payment of dividends or management fees, this agreement may have a material adverse effect on the Corporation's ability to pay dividends. At March 31, 1992, Rockdale had total assets of $50.9 million or 24.5% of the Corporation's total banking assets.

Laredo and Eagle Pass have entered into agreements with the OCC which provide, among other things, that: each bank shall maintain Tier I capital at least equal to 8% of risk-rated assets and Tier I capital at least equal to 5% of actual adjusted total assets; each bank shall develop a three-year capital program including specific plans for the maintenance of adequate capital and certain other matters, which shall be submitted to the District Administrator of the OCC and upon approval by the District Administrator, be implemented and adhered to by the bank; the bank's Board shall develop and adhere to a dividend policy permitting declaration or payment of a dividend only in compliance with 12 U.S.C. §56 and 60, when the bank is in compliance with its approved capital program, when such dividend has been determined by the Board, after consideration of the bank's financial condition, to be in the best interests of the bank, and when such dividend has been previously approved in writing by the District Administrator; the Board shall conduct a study to determine the appropriateness of management fees paid to the bank's holding company and submit such a study to the District Administrator; the bank shall not pay any future management or other fees to shareholders, insider related organizations or affiliates unless the fees are consistent with Banking Circular 115.

Condensed Parent Company Financial Statements

Condensed financial information of the parent company as of March 31, 1992, follows:

NATIONAL BANCSHARES CORPORATION OF TEXAS
Balance Sheet
(Parent Company Only)
(Unaudited)

	March 31, 1992 (Dollars in Thousands)
Assets:	
Cash	$ 111
Short-term investments	3,050
Investments in subsidiaries	11,182
Fixed assets, net	5
Other assets	2,012
	$ 16,360
Liabilities and Shareholders' Deficit:	
Liabilities deferred pursuant to Chapter 11 reorganization proceeding	34,903
Other liabilities	1,549
Shareholders' deficit	(20,092)
	$ 16,360

NATIONAL BANCSHARES CORPORATION OF TEXAS
Statement of Operations
(Parent Company Only)
(Unaudited)

	Three Months Ended March 31, 1992 (Dollars in Thousands)
Income:	
Interest	$ 26
Service fees from subsidiaries	---
Other income	---
Total income	26
Expenses:	
Interest	131
Salaries and employee benefits	91
Professional fees	366
Other expenses	53
Total expenses	641
Loss before Federal income tax benefits and equity in undistributed income of subsidiaries	(615)
Federal income tax benefit	(96)
Loss before equity in und.stributed earnings of subsidiaries	(519)
Equity in undistributed income of subsidiaries	497
Net loss	$ (22)

NATIONAL BANCSHARES CORPORATION OF TEXAS
Statement of Cash Flows
(Parent Company Only)
(Unaudited)

	Three Months Ended March 31, 1992 (Dollars in Thousands)
Operating Activities:	
Net loss	$ (22)
Adjustments to reconcile net income to net cash used by operations:	
Security premium amortization, net of accretion	(26)
Equity in undistributed income of subsidiaries	(497)
Depreciation	1
Increase in other assets	(128)
Increase in other liabilities	285
Net cash used by operations	(387)
Investing Activities:	
Proceeds from paydown or maturities of investment securities	1,360
Proceeds from sales of investment securities	---
Purchases of investment securities	(1,001)
Net cash provided by investing activities	359
Net decrease in cash and cash equivalents	(28)
Cash and cash equivalents at beginning of year	139
Cash and cash equivalents at end of period	$ 111
Supplemental Disclosures of Cash Flow Information:	
Cash paid for interest expense	$ ---
Cash paid/(received) for income taxes	---

On April 16, 1992, the Corporation's Third Amended Plan of Reorganization was approved by the Bankruptcy Court (see Item 1. - Financial Statements - Bankruptcy). Unless an extension is agreed to by the major parties in interest, the effective date of the reorganization is expected to be on or before May 26, 1992. The Plan, which eliminates the interest of holders of equity interest, including MBC's outstanding common stock, qualifies to account for the reorganization using fresh-start reporting. The following information presents the unaudited proforma balance sheet and statement of operations as though the effective date was as of March 31, 1992.

The proforma includes the consolidated information for the Parent Company and Subsidiaries except for Rockdale, which is being treated as a discontinued operation. Pursuant the Third Amended Plan of Reorganization, Rockdale will be marketed for sale in an effort to generate sufficient cash to provide for the payment of the Corporation's creditors.

Since the reorganized Corporation qualifies to use fresh-start reporting, prior year financial information is not comparable. Accordingly, prior period comparisons have not been presented.

NATIONAL BANCSHARES CORPORATION OF TEXAS
AND SUBSIDIARIES
Proforma Consolidated Balance Sheets
(Dollars in Thousands) (Unaudited)

	March 31, 1992
Assets:	
Cash and due from banks	$ 7,839
Federal funds sold	13,400
Total cash and cash equivalents	21,239
Time deposits with banks	0
Investment securities	45,195
Loans	87,745
Unearned discounts	(3,033)
Loans, net of unearned discounts	84,712
Allowance for possible credit losses	(6,281)
Net loans	78,431
Bank premises and equipment, net	2,523
Repossessed assets, net	4,955
Net asset of discontinued operation	3,072
Other assets	1,683
	$ 157,098
Liabilities and Shareholders' Equity:	
Deposits:	
Noninterest-bearing	$ 19,573
Interest-bearing	121,855
Total deposits	141,428
Accrued pension cost	472
FDIC note	3,000
Other borrowings	3,523
Other liabilities	1,932
Total liabilities	$ 150,355
Shareholders' Equity:	
Preferred stock of $.01 par value, authorized 20,000,000 shares; issued 2,604,000	26
Coommon stock of $.001 par value; authorized 100,000,000 shares; issued 26,250,000	26
Surplus	6,691
Retained earnings	0
Total shareholders' equity	6,743
	$ 157,098

NATIONAL BANCSHARES CORPORATION OF TEXAS
AND SUBSIDIARIES
Proforma Consolidated Statement of Operations
(Dollars in Thousands) (Unaudited)

	March 31, 1992
Interest Income:	
Loans	$ 2,262
Time deposits with banks	0
Federal funds sold	119
Investment securities	713
Total interest income	3,094
Interest Expense:	
Deposits	1,192
Other borrowings	0
Total interest expense	1,192
Net interest income	1,902
Provision for possible credit lossts	158
Net interest income(expense) after provision for possible credit losses	1,744
Noninterest Income:	
Service charges on deposits	240
Other	123
Gain(loss) on investment securities	0
Total noninterest income	363
Noninterest Expenses:	
Salaries and benefits	908
Other	1,309
Total noninterest expenses	2,217
Income(loss from continuing operations before taxes	(110)
Federal income tax benefit	(84)
Income(loss) from continuing operations	(26)
Discontinued Operations:	
Income from operations	135
Loss on disposal of subsidiary	(380)
Net income(loss)	(271)

Item 2. - Management's Discussion and Analysis of Financial Condition and Results of Operations

The tables and discussion of financial results that follow reflect tax-exempt income, principally interest on municipal securities and industrial revenue bonds (the latter being included in loans), on a fully taxable-equivalent basis with an offsetting adjustment to Federal income taxes. A Federal income tax rate of 34% was assumed. This presentation, despite NBC's current inability to recognize tax benefits, reflects information on a comparative basis with prior years and other financial institutions. It should be noted, however, that the financial statements and related notes thereto included herein do not reflect such tax-exempt income on a fully taxable-equivalent basis. All comparisons of balance sheet accounts refer to average balances unless otherwise noted.

SUMMARY OVERVIEW OF RESULTS OF OPERATIONS

NBC's net loss for the first quarter of 1992 was $22 thousand, or less than $.01 per share. These results compare to a net income of $144 thousand, or $.01 per share, for the first quarter of 1991.

Current Status of the Corporation

National Bancshares Corporation of Texas (the "Corporation") is a debtor-in-possession seeking to undergo a reorganization pursuant to a confirmed Plan of Reorganization under Chapter 11 of the United States Bankruptcy Code ("Chapter 11") in a proceeding, Case No. 90-51814K-11, that is pending before the United States Bankruptcy Court for the Western District of Texas, San Antonio Division ("Bankruptcy Court").

As previously disclosed, the institution of the Chapter 11 case, filed on June 8, 1990, resulted principally from the termination of the proposed "open bank" recapitalization involving the Federal Deposit Insurance Corporation ("FDIC") and the closing by federal banking regulators on June 1, 1990 of nine of the Corporation's twelve banking subsidiaries ("Closed Banks").

The Corporation's principal assets at March 31, 1992 consisted of all of the outstanding capital stock of two national banking associations, Eagle Pass, and Laredo, and one state banking association, Rockdale (collectively "member banks," "subsidiary banks," or "subsidiaries"). These subsidiaries are not parties to the Chapter 11 proceeding.

The Corporation engages in commercial and consumer banking services and trust services through the subsidiary banks and continues to operate its business and manage its properties as a debtor-in-possession. As of March 31, 1992, Eagle Pass failed to meet certain regulatory capital requirements. For a discussion of the regulatory capital of all the member banks, see Management's Discussion and Analysis of Financial Condition and Results of Operations - Capital Resources.

As of March 31, 1992, the following banking subsidiaries had total assets, total loans and total deposits as follows:

	Total Assets	Total Loans	Total Deposits
NBC Bank-Eagle Pass, N.A.	$ 109,269	62,234	105,908
NBC Bank-Laredo, N.A.	40,901	21,478	35,520
NBC Bank-Rockdale	51,280	17,865	47,391

The Corporation is operating these banking subsidiaries through the Chapter 11 proceeding, subject to the conditional waiver by the FDIC of its so-called "cross-guaranty" powers under Section 206 of the Financial Institution Reform, Recovery and Enforcement Act of 1989 ("FIRREA"), as provided under the confirmed Plan of Reorganization. On April 14, 1992, the FDIC issued an order conditionally granting approval for waiver of cross-guaranty for each of the subsidiary banks. The FDIC's waiver of the cross-guaranty powers is conditioned generally on the consummation of the provisions of the confirmed plan of reorganization, discussed below. The reorganized Corporation will continue to operate Eagle Pass and Laredo and will undertake efforts to sell Rockdale in an effort to generate sufficient cash to provide for the payment of its creditors.

As previously disclosed, the Corporation filed with the Bankruptcy Court the Second Amended Joint Plan of Reorganization under Chapter 11 of the United States Bankruptcy Code proposed by National Bancshares Corporation of Texas and the Statutory Committee of Unsecured Creditors ("Second Amended Plan of Reorganization") together with the First Amended Disclosure Statement with respect to the Second Amended Joint Plan of Reorganization under Chapter 11 of the United States Bankruptcy Code proposed by National Bancshares Corporation of Texas and the Statutory Committee of Unsecured Creditors ("Disclosure Statement"). As previously disclosed, the Corporation filed with the Bankruptcy Court the Second Amended Joint Plan of Reorganization under Chapter 11 of the United States Bankruptcy Code proposed by National Bancshares Corporation of Texas and the Statutory Committee of Unsecured Creditors ("Second Amended Plan of Reorganization") together with the First Amended Disclosure Statement with respect to the Second Amended Joint Plan of Reorganization under Chapter 11 of the United States Bankruptcy Code proposed by National Bancshares Corporation of Texas and the Statutory Committee of Unsecured Creditors ("Disclosure Statement"). As previously disclosed, the Second Amended Plan of Reorganization provides for the reorganized Corporation to fund certain capital contributions to Eagle Pass totalling approximately $3 million. In addition, the Second Amended Plan of Reorganization provides for the payment of administrative claims and allowed priority claims in cash in full. Any tax claims will be paid in full through deferred cash payments over a six-year period under the Second Amended Plan of Reorganization. Under the Plan of Reorganization, holder of the Team Bank claim will receive approximately $1.5 million plus interest representing the amount of a post-petition dividend paid by Laredo to the Corporation ("Laredo Dividend") and a note in an amount equal to $5,173,000 less the amount of the Laredo Dividend, which note will be secured by an interest in the stock of Laredo, Eagle Pass and Rockdale. In addition, in satisfaction of its claim, the FDIC will receive under the Second Amended Plan of Reorganization (i) a $3 million note, (ii) an assignment of the rights of the Corporation to assert certain claims against Equimark arising from the 1990 proposed "open bank" assistance transaction, (iii) a release from certain claims of the Corporation related to the FDIC's action prior to the commencement of the Chapter 11 case, and (iv) a contingent right to receive a $1.5 million note in the future. The Corporation's obligations to the FDIC will be secured by a second lien on the capital stock of Laredo, Eagle Pass and Rockdale and the Corporation's real estate. Under the Second Amended Plan of Reorganization, holders of senior debentures of the Corporation will receive 100% of the preferred stock of the reorganized Corporation with an aggregate liquidation amount equal to the face amount of such claims. Holders of the Corporation's 10% Convertible Subordinated

Debentures due 2006 and general unsecured creditors will receive a pro rata distribution of 100% of the common stock of reorganized Corporation. In addition, the Corporation's outstanding common stock will be cancelled and holders will receive nothing under the Second Amended Plan of Reorganization. A complete copy of the Second Amended Plan of Reorganization and Disclosure Statement has been filed as an Exhibit to MBC's Annual Report on Form 10-K for the year ended December 31, 1991.

As previously disclosed, on February 6, 1992, the Bankruptcy Court approved the Disclosure Statement for mailing to all creditors entitled to vote on the Second Amended Plan of Reorganization. On or before February 28, 1992, the Corporation caused a copy of the Disclosure Statement, the Second Amended Plan of Reorganization, a ballot or master ballot, and all exhibits relating thereto to be mailed to all creditors and other parties in interest.

In April 1992, the Corporation and its Statutory Committee of Unsecured Creditors ("Creditors' Committee") (collectively "Plan Proponents") made certain minor amendments to the Second Amended Plan of Reorganization. These amendments added certain voting, redemption, and conversion rights to the preferred stock, which is to be issued by the Corporation to the holders of the senior unsecured claims against the Corporation. These amendments were approved by the Bankruptcy Court pursuant to the applicable provisions of the Bankruptcy Code and rules thereunder (thereafter the Second Amended Plan of Reorganization became the "Third Amended Plan of Reorganization").

On April 16, 1992, the Bankruptcy Court conducted a hearing on the Third Amended Plan of Reorganization. After consideration of objections to confirmation and upon record of the confirmation hearing and all evidence adduced and arguments of counsel made at the confirmation hearing, the Bankruptcy Court confirmed the Third Amended Plan of Reorganization in accordance with the applicable provisions of the Bankruptcy Code. The Bankruptcy Court found, among other things, that the third Amended Plan of Reorganization satisfied the "best interests" test, namely that each holder of a claim or equity interest entitled to vote had accepted the Third Amended Plan of Reorganization or will receive or retain under the Third Amended Plan of Reorganization property of a value, as of the effective date of the Third Amended Plan of Reorganization, that is not less than the amount that such holder would receive or retain if the Corporation were liquidated under Chapter 7 of the Bankruptcy Code. The Bankruptcy Court further found, among other things, that each impaired class of claims entitled to vote had accepted the Third Amended Plan of Reorganization and that the Third Amended Plan of Reorganization does not discriminate unfairly and is "fair and equitable" with respect to the common shareholder interests that are impaired thereunder and deemed to have rejected the Third Amended Plan of Reorganization. Based on the evidence presented, the Bankruptcy Court found that the Third Amended Plan of Reorganization is "feasible;" that is the Third Amended Plan of Reorganization offers a reasonable prospect of success and that confirmation of the Third Amended Plan of Reorganization is not likely to be followed by the liquidation or the need for further financial reorganization of the Corporation. Finally, the Bankruptcy Court found, among other things, that the Third Amended Plan of Reorganization complies with all other applicable provisions of the Bankruptcy Code, that the Corporation and the Creditors' Committee as joint Plan Proponents have complied with the applicable provisions of the Bankruptcy Code and that the

Third Amended Plan of Reorganization was proposed in good faith and not by any means forbidden by law.

Generally, under the Bankruptcy Code, confirmation of the Third Amended Plan of Reorganization will have the following consequences. The provisions of the Third Amended Plan of Reorganization will be binding on the Corporation, any entity acquiring property thereunder, and all creditors and shareholders of the Corporation, whether or not the claim or interest of such creditors or shareholders is impaired under the Third Amended Plan of Reorganization and whether or not such creditors or shareholders accepted the Third Amended Plan of Reorganization. Additionally, except as otherwise provided in the Third Amended Plan of Reorganization or the confirmation order, the confirmation of the Third Amended Plan of Reorganization vests all of the property of the estate in the Corporation. Further, except as otherwise provided in the Third Amended Plan of Reorganization or the confirmation order, the property dealt with by the third Amended Plan of Reorganization is generally free and clear of all claims and interests of creditors and shareholders after confirmation of the Third Amended Plan of Reorganization. Finally, except as otherwise provided in the Third Amended Plan of Reorganization or the confirmation order, confirmation of the Third Amended Plan of Reorganization (a) discharges the Corporation from any debt that arose before the date of such confirmation and certain other types of debt specified in the Bankruptcy Code whether or not (i) a proof of claim based on such debt is filed or deemed filed pursuant to the applicable provisions of the Bankruptcy Code and rules thereunder, (ii) such claim is allowed, or (iii) the holder of such claim has accepted the Third Amended Plan of Reorganization, and (b) terminates all rights and interests of shareholders provided for by the Third Amended Plan of Reorganization.

Unless an extension is agreed to by the major parties in interest, consummation of the Third Amended Plan of Reorganization is presently scheduled to occur on or before May 26, 1992.

The Bankruptcy Court has also determined that confirmation of the Third Amended Plan of Reorganization has rendered moot any consideration of the previously disclosed disclosure statement filed by Team Bank and that there is no basis for going forward with the competing plan of reorganization filed by Team Bank. Accordingly, by order dated April 23, 1992, the Bankruptcy Court denied approval of the Team Bank disclosure statement.

Despite the findings of the Bankruptcy Court regarding the feasibility of the Third Amended Plan of Reorganization and management's good faith belief that such plan is feasible, due to the inherent risks associated with any corporation seeking to undergo a Chapter 11 reorganization and other factors beyond the control of the Corporation, there can be no assurance that the Corporation will be able to continue as a going concern as it is currently configured. The Corporation's financial statements were prepared in conformity with generally accepted accounting principles on a going concern basis. They do not reflect the effects of any adjustments related to recoverability or classification of assets and amounts and classification of liabilities that might be necessary should the Corporation be unable to continue operations with its current capital structure.

At March 31, 1992, the Corporation had $34.9 million in pre-petition liabilities consisting of $32.5 million of long-term debt and $2.3 million of other liabilities.

By its letter dated July 7, 1990, and subsequent telephone confirmation, the National Association of Securities Dealers (the "NASD") notified the Corporation that the Corporation's Common Stock, $5.00 par value (the "Common Stock"), and its 10% Convertible Subordinated Debentures due 2006 (the "Debentures") have been removed from the NASDAQ National Market System (the "System"). The removal from the System was effective June 22, 1990, for the Common Stock and July 10, 1990, for the Debentures.

Currently, neither the Common Shares or the Debentures is quoted on an inter-dealer quotation system.

First Quarter Results Overview

The net loss for the first quarter of 1992 of $22 thousand compared to a net income of $368 thousand in the first quarter of 1991. The provision for possible credit losses declined $252 thousand in the quarter-to-quarter comparison and noninterest expenses increased $333 thousand and net interest income decreased $262 thousand.

The provision for possible credit losses totaled $173 thousand for the first quarter of 1992, compared to $425 thousand for the first quarter of 1991. The reduced provision relates to a reduced level of loans outstanding. The allowance for possible credit losses totaled $7.1 million at March 31, 1992, which expressed as a percentage of nonaccrual loans was 123.4% as compared to 110.9% at December 31, 1991, and 80.2% at March 31, 1992.

Net expenses related to repossessed assets, primarily reflecting valuation adjustments to fair values of such properties, which are included in noninterest expenses on the income statement, totaled $17 thousand for the three months ended March 31, 1992, versus $59 thousand for the three months ended March 31, 1991.

Net interest income for the quarter ended March 31, 1992, was $2.3 million, compared to $2.6 million for the quarter ended March 31, 1991. The decrease in net interest income was largely due to a lower volume of earning assets held by the Corporation and the continued level of nonperforming assets. Average earning assets were $192.0 million for the first quarter of 1992, compared to $238.8 million in 1991. Nonperforming assets as a percentage of earning assets were 5.9% at March 31, 1992, and 7.2% at March 31, 1991. The net interest margin was 4.81% for the first quarter of 1992, as compared to 4.38% for the first quarter of 1991, an increase of 43 basis points.

ANALYSIS OF RESULTS OF OPERATIONS

Net Interest Income

Net interest income, one of the most significant components of operations, is the amount by which the interest generated from earning assets exceeds the expense associated with funding those assets. For purposes of this discussion, the interest earned on tax-exempt assets such as certain municipal securities is adjusted to a "taxable equivalent" basis using assumed Federal income tax

rates of 34 percent for 1992 and 1991 in order to recognize the income tax savings which would ordinarily be realized by investing in tax-exempt assets rather than taxable assets. Although the Corporation has been in a net operating loss carryforward position for financial reporting and Federal income tax purposes since the third quarter of 1986, the taxable equivalent adjustment continues to be used for analytical purposes to allow for consistency of presentation and to facilitate comparisons between operating results of the Corporation and others in its industry. The taxable equivalent adjustment has no effect on reported results of operations for the periods presented but rather only on certain components of the taxable equivalent statements of operations.

Taxable equivalent net interest income was $2.3 million for the three months of 1992, down $276 thousand from the same period last year. The decrease in net interest income for the three months was due primarily to the lower volume of earning assets held by the Corporation.

As shown on the "Net Interest Income (Taxable Equivalent)" table which follows this discussion of the Corporation's net interest income, the principal factor causing the declining level of net interest income since 1990 has been the volume reduction in earning assets. Earning assets averaged $192.0 million during the first quarter of 1992, or 92.7% of total assets, compared to $238.8 million or 105.7% during the first quarter of 1991. The "Net Interest Income (Taxable Equivalent)" table presents an analysis of the relative effects of changes in interest rates and balance sheet volumes on the Corporation's net interest income.

The Corporation's yield on its earning assets was 8.5% for the first quarter of 1992 compared to 10.15% in the first quarter of 1991. The decrease of 164 basis points on earning assets was exceeded by a 209 basis point decrease on interest bearing liabilities. This resulted in a decline of $1.1 million in interest expense due strictly to rate compared to a $622 thousand decline in interest income. The net effect was to offset the $792 thousand decrease in net interest income due to volume, by $516 thousand due to rate, for net decrease in net interest income of $276 thousand when compared to the first quarter of 1991.

The net interest margin, which is net interest income expressed as a percent of earning assets, was 4.81% for the first quarter of 1992 compared to 4.38% for the first quarter of 1991. The margin improvement is the result of continued decrease in the Corporation's cost of funds, the high level of fixed rate loans, and continued decline in nonperforming assets.

The following table summarizes the Corporation's average balance sheet, amount of interest earned or paid in each major category of earning assets and interest-bearing liabilities and average interest rates earned and paid for the three months ended March 31, 1992 and 1991.

AVERAGE BALANCES, INTEREST AND AVERAGE RATES
(Dollars in Thousands)

	Three Months Ended March 31, 1992			Three Months Ended March 31, 1991		
	Average Balances	Interest	Rate	Average Balances	Interest	Rate
Assets:						
Time deposits with banks...	$ 1,414	$ 21	5.93%	$ 217	$ 3	6.04%
Federal funds sold.....	12,584	125	3.97	21,549	330	6.22
Investment securities:						
Taxable.....	71,469	1,177	6.60	61,757	1,058	6.95
Tax-exempt.....	779	24	12.51	1,964	59	11.98
Loans, net of discount.....	105,780	2,728	10.35	153,321	4,525	11.97
Total earning assets.....	192,026	4,075	8.51%	238,808	5,975	10.15%
Allowance for possible credit losses.....	(7,131)			(10,056)		
Cash and due from banks....	10,472			14,178		
Premises & equipment.....	4,026			4,363		
Other assets.....	7,735			8,633		
	$ 207,128			$ 225,926		
Liabilities and Shareholders' Deficit:						
Savings,How and Money Market deposits.....	$ 62,206	$ 539	3.47%	$ 85,536	$ 1,156	5.49%
Time deposits.....	100,907	1,104	4.39	122,642	2,112	6.98
10% Convertible Subordinated Debentures.....	25,000	---	---	25,000	---	---
Other borrowings.....	7,554	131	6.98	7,554	130	6.98
Total interest-bearing liabilities.....	195,667	1,774	3.64	240,732	3,398	5.73
Demand deposits.....	26,441			29,516		
Other liabilities.....	5,163			3,705		
Shareholders'deficit.....	(20,143)			(18,027)		
	$ 207,128			$ 255,926		
Net interest income and average rate spread.....		$ 2,301	4.80%		$ 2,577	4.42%
Ratio of interest-bearing liabilities to earning assets (average).....			101.90%			100.81%
Net interest margin (net interest income as a percent of average earning assets).....			4.81%			4.38%

The following table analyzes the changes in net interest income in the first quarter of 1992 on a taxable equivalent basis and the relative effects of changes in interest rates and volumes for each major classification of earning assets and interest-bearing liabilities from the first quarter of 1991 as well as from the preceding quarter. Nonaccrual loans have been included in earning assets for purposes of these analyses, which reduces the resulting yields.

Net Interest Income (Taxable Equivalent)
(Dollars in Thousands)

	Change to 1-Q 1992 From 1-Q 1991			Change to 1-Q 1992 From 1-Q 1991		
	Net Increase (Decrease)	Due to Changes in Rates	Due to Changes in Volume	Net Increase (Decrease)	Due to Changes in Rates	Due to Changes in Volume
Interest Income:						
Time deposits with banks..	$ 18	$ ---	$ 18	$ (3)	$ (1)	$ (2)
Federal funds sold.....	(205)	(92)	(113)	(44)	(29)	(15)
Investment securities:						
Taxable.....	119	(53)	172	29	(35)	(64)
Tax-exempt.....	(35)	(1)	(36)	(9)	(1)	(8)
Loans.....	(1,796)	(478)	(1,318)	(234)	(23)	(211)
	(1,899)	(622)	(1,277)	(261)	(89)	(172)
Interest Expense:						
Interest-bearing deposits.	(1,623)	(1,138)	(485)	(390)	(320)	(70)
10% Convertible Subordinated Debentures.....	---	---	---	---	---	--
Other borrowings.....	---	---	---	---	---	--
	(1,623)	(1,138)	(485)	(390)	(320)	(70)
Net Interest Income.....	$ (276)	$ 516	$ (792)	$ 129	$ 231	$ (102)

Provision for Possible Credit Losses

The Corporation's provision for possible credit losses during the first quarter of 1992 was $173 thousand, compared to $425 thousand during the first quarter of 1991. Provisions are made in order to maintain the allowance for possible credit losses at a level which, in management's judgment, provides an adequate allowance to absorb future losses.

Net charge-offs were $268 thousand and $681 thousand for the three months ended March 31, 1992 and 1991, respectively. The allowance for possible credit losses at March 31, 1992, was $7.0 million, compared to $7.5 million at December 31, 1991, and $9.8 million at March 31, 1991.

Noninterest Income

The following table summarizes noninterest income for the three months ended and nine months ended March 31, 1992 and 1991:

Analysis of Noninterest Income
(Dollars in Thousands)

	Three Months Ended March 31	
	1992	1991
Trust income	$ (6)	$ 6
Service charges on deposits	328	311
Other service charges	85	124
Investment securities transactions	---	68
Other	66	11
Total noninterest income	$ 473	$ 520

Noninterest income is primarily composed of account service charges, gains from disposal of assets, including investment securities, and other various fees and commissions. Noninterest income for the Corporation was $473 thousand for the first quarter of 1992, compared to $520 thousand for the first quarter of 1991. Noninterest income declined primarily due to no gains on sale of investment securities during the first quarter of 1992. The Corporation's banks continue to analyze service charges and increase fees wherever possible.

Noninterest Expenses

The following presents an analysis of noninterest expenses for the three months ended March 31, 1992 and 1991:

Analysis of Noninterest Expenses
(Dollars in Thousands)

	Three Months Ended March 31	
	1992	1991
Salaries	$ 858	$ 1,046
Benefits	204	191
Net occupancy	160	185
Equipment	98	83
Business development	46	30
Professional fees	515	140
Communications and supplies	164	185
Data processing	197	189
Taxes, other than income and payroll	43	20
Net expenses related to repossessed assets	17	59
Other	305	146
Total noninterest expenses	$ 2,607	$ 2,274

One factor influencing the increase in noninterest expenses for the three months ended March 31, 1992, as compared to the three months ended March 31, 1991, relates to expenses and losses incurred in payment of professional fees and other administrative expenses associated with the Corporation's Chapter 11 proceedings. These professional fees totaled approximately $515 thousand for the first three months of 1992, compared to $140 thousand for the first three months of 1991. Expenses associated with maintaining and disposing of repossessed real estate, excluding salaries and benefits, and net of operating income and gains of sales of repossessed assets totalled approximately $17,000 for the first three months of 1992, compared to $59,000 for the first three months of 1991. Net expenses related to repossessed assets for the three months ended March 31, 1992, and 1991 are summarized below:

Net Expenses Related to Repossessed Assets
(Dollars in Thousands)

	Three Months Ended March 31	
	1992	1991
Provision charged against operations	$ 22	$ 10
Maintenance and repairs	17	8
Taxes	19	75
Losses on sales of repossessed assets	16	7
Legal expenses	19	6
Insurance	18	1
Consultants	1	38
Total expenses	112	145
Less income from repossessed assets	(95)	(86)
Total net expenses	$ 17	$ 59

FINANCIAL CONDITION

The following schedule shows average earning assets and funding sources of the Corporation for the three months ended and the three months ended March 31, 1992, and 1991:

Earning Assets and Funding Sources
(Dollars in Millions)

	Averages for Three Months Ended March 31		$ Increase (Decrease)	% Increase (Decrease)
	1992	1991		
Earning Assets:				
Loans	$ 106	$ 153	(47)	(30.72)%
Investment securities	72	63	9	14.29
Time deposits with banks	1	---	1	100.00
Other earning assets	13	22	(9)	(40.91)
Total earning assets	$ 192	$ 238	$ (46)	(19.33)%
Sources of Funds:				
Interest-bearing liabilities:				
Savings, Now, and Money Market deposits	$ 62	$ 86	$ (24)	(27.91)
Time deposits	101	123	(22)	(17.89)
10% Convertible Subordinated Debentures	25	25	---	---
Other borrowings	8	8	---	---
Total interest-bearing liabilities	196	242	(46)	(19.01)
Net investable noninterest-bearing deposits	16	15	1	6.67
Total sources of funds	$ 212	$ 257	$ (45)	(17.51)%

Asset and Liability Management

Net interest income can be vulnerable to wide fluctuations arising from changes in the market interest rates because the average yield on assets responds differently to such changes than does the average cost of funds. In an effort to minimize the effects of changes in the general level of market interest rates, the Corporation actively manages the repricing characteristics of its assets and liabilities to control net interest rate sensitivity. Management's policy in recent years has been to confine interest rate sensitivity gaps to short-term repricing periods of one year or less, while maintaining a conservative long-term exposure.

An interest rate sensitivity gap position is a relative measure of how the interest rate of an asset or liability changes when market interest rates change. A positive rate sensitivity gap exists when rate-sensitive assets exceed rate-sensitive liabilities. Generally, when a positive gap position exists, net interest income should increase during periods of rising interest rates. When a negative gap position exists (when rate-sensitive liabilities exceed rate-sensitive assets), net interest income generally should increase during periods of declining interest rates. One measure of NBC's relative positions of interest rate-sensitive assets and liabilities as of March 31, 1992, is shown in the following table. The interest rate sensitivity table shows that the cumulative gap position was negative by $21.4 million during the 30-day or less time frame as NBC's short-term money market instruments and prime rate based loans were being funded by longer term deposits. The cumulative gap position continued interest rate liability sensitive in the 31-day to 365-day time frame. The one-year interest rate sensitivity gap position was negative, or interest-sensitive liabilities exceeded interest-sensitive assets by $52.6 million, or 27.5% of total interest-bearing liabilities due within one year.

At March 31, 1992, the Corporation's relative positions of interest rate-sensitive assets and liabilities were as follows:

Interest Rate Sensitivity
(Dollars in Thousands)

	March 31, 1992					
	Cumulative Volumes Subject to Repricing Within					
	30 Days	90 Days	180 Days	1 Year	Nonrate-Sensitive	Total
Loans	$ 41,371	$ 7,465	$ 7,001	$ 11,590	$ 35,151	$102,578
Investment	4,659	2,554	2,560	14,384	50,817	74,974
Other earning assets	12,600	485	780	95	0	13,960
Total earning assets	$ 58,630	$ 10,504	$ 10,341	$ 26,069	$ 85,968	$191,512
Interest-bearing deposits	$ 80,074	$ 35,842	$ 26,960	$ 15,290	$ 4,395	$162,561
Other interest-bearing liabilities	---	---	---	---	32,554	32,554
Total interest-bearing liabilities	80,074	35,842	26,960	15,290	$ 36,949	$195,115
Rate sensitivity gap	$(21,444)	$(25,338)	$(16,619)	$ 10,779		
Cumulative rate sensitivity gap	$(21,444)	$(46,782)	$(63,401)	$(52,622)		
Rate sensitivity ratio	0.73	0.29	0.38	1.70		
Cumulative rate sensitivity gap	0.73	0.60	0.56	0.67		
Gap as a % of earning assets	(11.20)%	(13.23)%	(8.68)%	5.63%		
Cumulative gap as a % of earning assets	(11.20)%	(24.43)%	(33.11)%	(27.48)%		

Investment Securities

The following schedule summarizes the adjusted cost of the Corporation's investment securities portfolios as of the end of March 31, 1992, and 1991, and December 31, 1991:

Investment Securities
(Dollars in Thousands)

	March 31		December 31
	1992	1991	1991
U. S. Treasury and government agency securities	$ 58,631	$ 18,823	$ 49,342
Mortgage backed securities	14,968	44,599	17,829
Obligations of states and political subdivisions:			
Tax-exempt	643	1,723	963
Taxable	283	612	478
Other	254	404	254
	$ 74,979	$ 66,161	$ 68,866

Loans

Total loans for the Corporation continue to decrease because new loans are being exceeded by repayments of existing loans in the ordinary course of business, transfers of existing loans to repossessed assets and charge-offs of existing loans. New loans have declined primarily due to weak loan demand in the markets served by the Corporation.

The following schedule summarizes the Corporation's loan portfolios as of March 31, 1992, and 1991, and December 31, 1991:

Loans
(Dollars in Thousands)

	March 31		December 31
	1992	1991	1991
Commercial and industrial	$ 13,200	$ 29,627	$ 15,727
Construction and land development	10,340	11,285	11,061
Real estate mortgage	35,379	38,874	38,096
Consumer	46,980	72,080	47,443
Total loans	105,979	151,866	112,327
Unearned discounts	(3,401)	(7,323)	(4,067)
Loans, net of unearned discounts	$ 102,578	$ 144,543	$ 108,260

Commercial and Industrial Loans. This category includes loans primarily to small to mid-size businesses and professionals in the Corporation's market area. The Corporation typically looks to the borrowers' business cash flow as the principal source of repayment. In addition, these loans may be secured by the borrowers' accounts receivables, inventory, real estate or other assets. At March 31, 1992, this category also included a total of $761 thousand of participations originated by the Closed Banks.

Construction and Land Development Loans. Construction and land development loans include loans secured by real estate with original maturities of sixty months or less made to finance land improvements. The majority of the construction loans provided by NBC are for small commercial and retail developments. Construction loans decreased from the first quarter of 1991 to the first quarter of 1992 due to the lack of demand for new commercial and retail buildings, in conjunction with the payoff of existing loans, and secondarily to the transfer of existing loans to repossessed assets and charge-offs of existing loans.

Real Estate Mortgage Loans. Real estate mortgage loans include all other loans secured by real estate regardless of purpose and regardless of whether they were originated by one of the Corporation's subsidiaries or purchased from others and include loans secured by first mortgages or by junior liens. Real estate mortgage loans are comprised primarily of loans to finance owner-occupied commercial developments. This category also includes loans for raw land, small retail centers and other commercial residential properties.

Consumer Loans. At March 31, 1992, consumer loans included (i) 3.5 million of indirect automobile loans; (ii) $38.7 million of loans to individuals for household, family and other personal expenditures which may be unsecured or secured by assets other than real estate; and (iii) $374 thousand of guaranteed student loans. At March 31, 1992, this category included a total of $27.3 million of participations originated by the Closed Banks.

Allowance for Possible Credit Losses

The allowance for possible credit losses is maintained to cover estimated losses in the loan portfolio based on management's and the various boards of directors' assessment of factors affecting the allowance in light of circumstances known or anticipated at that time. In evaluating and establishing the allowance, consideration is given to such factors as management's evaluation of specific credits; historical loss experience; asset quality and delinquency trends; current and anticipated economic conditions and their impact on particular industries and borrowers; results of examinations by regulatory agencies; the level and composition of classified loans; loan concentrations; management depth and experience; and other subjective factors.

As the loan portfolios of the member banks are reviewed by bank and corporate management, loans are assigned a risk grading which is used to determine the reserve required by each. In addition to these specific allocations of reserves, an amount is set aside which is deemed appropriate to recognize the likelihood that there are credits in the portfolio which may present a risk of becoming uncollectible but which cannot yet be so identified. The Federal and State regulators conduct periodic examinations of the Corporation's member banks in order to evaluate the effectiveness of the Corporation's assessments.

Economic conditions in the markets served by the Corporation's member banks are continually changing. Therefore, management regularly reviews the loan portfolios and market conditions and makes appropriate adjustments to the allowance, which are reflected in the operations of the then current period.

As loans are determined to be uncollectible, they are charged against the allowance for possible credit losses. Recoveries of loans previously charged off are added back to the allowance. As loans are charged off, the allowance is reduced and provisions are charged against current operations to restore the allowance to an acceptable level.

At March 31, 1992, the allowance for possible credit losses was $7.0 million, or 6.9% of total loans net of discount, compared to $9.8 million or 6.8% at March 31, 1991. The high level of the allowance reflects weaknesses in certain sectors of the Texas economy, particularly real estate, as well as the Corporation's assessment of other factors affecting the allowance in light of current circumstances, including the subjective factors set forth above. A significant portion of the allowance for the periods presented in the table on the following page was attributable to general allocations as opposed to specific allocations for identified problem loans. Management considers the allowance for possible credit losses at March 31, 1992 to be adequate to provide for future credit losses inherent in the loan portfolio at that date.

The following is a summary of the allowance for possible credit losses for the three months ended March 31, 1992, and 1991:

Allowance for Possible Credit Losses
(Dollars in Thousands)

	Three Months Ended March 31	
	1992	1991
Balance at beginning of period	$ 7,155	$ 10,115
Loans charged off:		
Commercial and industrial	5	88
Construction & land development	---	---
Real Estate	66	122
Consumer	576	819
Total loans charged off	647	1,029
Recoveries of loans previously charged off:		
Commercial and industrial	51	82
Construction & land development	---	---
Real estate	161	96
Consumer	168	170
Total recoveries	380	348
Net charge-offs	(267)	(681)
Provision for possible credit losses	173	425
Balance at end of period	$ 7,061	$ 9,859

Nonperforming Assets

Overall weakness in economic conditions has contributed greatly to the level of nonperforming assets held by NBC, and the continued softness of the Texas real estate markets has hampered NBC's efforts to substantially reduce its level of nonperforming assets.

A summary of the Corporation's nonperforming assets and past due loans at March 31, 1992, and 1991, and December 31, 1991, follows:

Nonperforming Assets
(Dollars in thousands)

	March 31		December 31
	1992	1991	1991
Nonaccrual loans	$ 5,720	$ 12,298	$ 6,451
Repossessed assets	5,577	5,238	5,253
Total nonperforming assets	$ 11,297	$ 17,536	$ 11,704
Nonperforming assets as a percent of total loans and repossessed assets	10.45%	10.82%	10.31%
Nonperforming and 90-day past due assets as a percent of total loans and repossessed assets	10.89%	12.01%	11.23%
Nonaccrual loans as a percent of total loans	5.58%	8.51%	5.96%
Allowance for possible credit losses as a percent of restructured and nonaccrual loans	123.44%	80.17%	110.91%
Accruing loans past due 90 days or more	$ 485	$ 1,927	$ 1,039

Nonaccrual loans are those on which the recognition of interest income has been suspended. Loans are placed on nonaccrual status when they become 90 or more days past due and are not well collateralized and in the process of collection or when, in the judgment of management, the collectibility of the loans or accrued interest thereon becomes doubtful. In evaluating and establishing whether a loan should be placed on nonaccrual status, consideration is given to such factors as management's evaluation of specific loans; current and anticipated economic conditions and their impact on particular industries and borrowers; results of examinations by regulatory agencies; management depth and experience; and other subjective factors.

Restructured loans are generally those in which the borrower is experiencing financial difficulty and NBC makes a concession that it would not ordinarily consider. Repayment terms may be modified, interest rates may be adjusted and interest payments deferred or otherwise modified. During the periods reported, none of the Corporation's banks had any restructured loans.

Repossessed assets include collateral that has been actually or substantively repossessed. Substantive repossessions of collateral occur in situations where it is determined that the primary risks and rewards of collateral ownership have passed from the debtor to the lender, even though formal repossession has not occurred, including situations where it is determined that (1) the debtor has little or no equity in the collateral, (2) repayment proceeds can be expected only from operation or sale of the collateral, and (3) the debtor has either formally or effectively abandoned control of the collateral or it is doubtful the debtor will be able to build equity in the collateral or otherwise repay the loan. Collateral that has been substantively repossessed is accounted for in the same manner as collateral that has been formally repossessed. Substantive repossessions at the end of the first quarter of 1992 were $1.9 million compared to $380 thousand at the end of the first quarter of 1991.

Repossessed assets, principally real estate, have been adjusted to reflect current fair values (if lower than cost). Management of the Corporation has made valuations of these properties based on independent appraisals prepared by professionally designated appraisers adhering to both regulatory appraisal guidelines and nationally recognized appraisal standards of professional practice. Each asset over a minimal value is periodically monitored by management for value fluctuations and generally is reappraised by an independent appraiser at least annually. Appraisals are reviewed by management to assure that reporting requirements are met. These include the use of appropriate approaches to value properties, the inclusion of all pertinent appraisal data and the overall reasonableness of the value conclusion. Future values will depend on, among other factors, the economic conditions in the markets where the properties are located.

A valuation allowance is established on other real estate through the provision for other real estate losses charged to operations. The valuation allowance on other real estate is maintained to cover estimated reductions in fair values of repossessed assets based on management's assessment of factors affecting asset values in light of current circumstances. The valuation allowance has been allocated to specific properties.

The following is a summary of nonperforming assets by loan classification as of March 31, 1992:

Nonperforming Assets by Loan Classification
(Dollars in Thousands)

	Nonaccrual	Repossessed Assets	Total	Percent of Total
Commercial and industrial	$ 134	$ 821	$ 955	8.5%
Construction and land development	1,436	306	1,742	15.4
Real estate mortgage	4,106	4,344	8,450	74.8
Consumer	44	106	150	1.3
Total	$ 5,720	$ 5,577	$11,297	100.0%

The following is a summary of nonperforming assets by market area at March 31, 1992.

Nonperforming Assets by Entity
(Dollars in Thousands)

	Nonaccrual	Repossessed Assets	Total	Percent of Total
NBC of Texas (Parent Company)	$ ---	$ 1,788	$ 1,788	15.8%
NBC Bank-Eagle Pass	4,797	3,078	7,875	69.7
NBC Bank-Laredo	491	89	580	5.1
NBC Bank-Rockdale	432	622	1,054	9.4
Total	$ 5,720	$ 5,577	$11,297	100.0%

Funding

The principal source of funds for the Corporation's member banks is deposits. Average deposits for the first quarter of 1992 were $190 million, compared to $238 million during the first quarter of 1991. Market concerns regarding economic conditions in the region and the condition of the Corporation and its member banks have resulted in a decrease in the sources of funds for the Corporation.

Average deposits and average rates paid on all deposits for the three months ended March 31, 1992, and 1991, were as follows:

Average Deposits
(Dollars in Thousands)

	Three Months Ended March 31			
	1992		1991	
	Amount	Rate	Amount	Rate
Noninterest-bearing demand deposits..	$ 26,441		$ 29,516	
Savings and Money Market deposits....	62,206	4.80%	85,536	5.4[illegible]%
Time deposits.....	100,907	5.63%	122,642	6.9[illegible]%
Total.....	$ 189,554		$ 237,694	

At March 31, 1992, time certificates of deposits in denominations of $100,000 or more with maturities of six months or less were $11.7 million, which represent 11.7% of total deposits. This compares to $24.3 million, or $10.2 of total deposits a year ago. These time deposits are as rate sensitive as the markets where the Corporation's subsidiaries are located. Rates differ in various markets; however, the Corporation's policy is to pay competitive rates in the markets it serves.

The following table presents the maturity distribution of certificates of deposit greater than $100,000 as of March 31, 1992:

Time Deposit Maturities
(Dollars in Thousands)

	March 31, 1992
Three months or less.....	$ 18,769
Over three through six months.....	3,400
Over six through twelve months.....	1,625
Over twelve months.....	---
	$ 23,794

Deposits from Mexico continue to be a significant funding source for the Corporation. Mexican deposits at March 31, 1992 totaled $67.7 million or 35.9% of total deposits compared to $77.9 million or 32.8 of total deposits a year ago.

Public fund deposits represent another funding source for the Corporation. Public fund deposits decreased from $35.2 million or 14.8% of total deposits at March 31, 1991 to $6.6 million or 3.5% of total deposits at March 31, 1992.

Capital Resources

At March 31, 1992, two of the Corporation's remaining banking subsidiaries had capital levels which were greater than the minimum required by the regulators. However, Eagle Pass did not meet the required Risk Based level.

Of the Corporation's three subsidiary banks at March 31, 1992, the stock of two banks, which together represent 69.1% of the shareholder's equity in all of the Corporation's banking subsidiaries, are pledged to Team Bank (formerly Texas American Bank-Ft. Worth, N.A. ("TAB/FW") to secure the $4.95 million outstanding on the Corporation's line of credit from Team Bank. The three remaining banking subsidiaries of the Corporation had a net income aggregating approximately $497 thousand for the period ended March 31, 1992.

The following table shows total capital for each of the three banks as of March 31, 1992:

	Total Capital	Risk Weighted Capital Ratio	Leverage Capital Ratio
NBC Bank-Eagle Pass, N.A.	$ 2,536	4.89%	2.32%
NBC Bank-Laredo, N.A.	$ 5,169	23.21%	12.62%
NBC Bank-Rockdale	$ 3,452	17.97%	6.81%

Liquidity

The overall liquidity of the Corporation and its subsidiary banks is maintained through the continual review and control of the maturity structure of the subsidiaries' balance sheets. Liquidity is afforded by access to financial markets and by holding appropriate amounts of liquid assets, which provides the Corporation's subsidiary banks with the ability to meet financial obligations to depositors and loan customers.

Liquid assets are composed of cash and near-cash items including deposits with other banks, Federal funds sold, obligations of the United States Treasury and governmental agencies securities, obligations of states and political subdivisions and short-term investments which can be readily converted to cash. As shown on the Consolidated Statements of Cash Flows, cash and cash equivalents, defined as cash on hand, amounts due from banks (exclusive of time deposits with banks), and Federal funds sold, aggregated $22.7 million or 11.0% of total consolidated assets, on March 31, 1992. This compares to cash and cash equivalents of $42.4 million or 16.6% of total consolidated assets on March 31, 1991.

In addition, the market value of the Corporation's investment securities portfolio of $75.9 million at March 31, 1992, represents funds that could have been available for use to meet liquidity needs. Included in this amount are pledged securities of $9.0 million.

The primary source of net cash to the Corporation, as shown on the Consolidated Statements of Cash Flows, has been the reduction of the Corporation's investing activities, through reductions to net loans, net investment securities, repossessed assets and time deposits with other banks.

The Corporation continually monitors the funding and liquidity needs of its member banks. Management continues to rely primarily on traditional funding sources, principally deposits, for its funding needs. In light of current circumstances, management has developed alternate plans designed to supplement its funding sources, including plans to borrow from the Federal Reserve Bank in Dallas, if necessary.

Parent Company Funding and Liquidity

Historically, principal sources of liquidity for the parent company have been dividends and management fees from subsidiary banks, commercial paper and short-term borrowings. Due to operating losses during the past three years, the capacity of the Corporation's subsidiary banks to pay dividends to the parent company under current statutory and regulatory guidelines is minimal. The declaration of any dividends by subsidiary banks requires approval by the banks' boards of directors, and the declaration of dividends in excess of statutorily permitted amounts also requires regulatory approval.

Until recently the primary sources of funds being utilized by the parent company include bank borrowings and management fees. Management fees were assessed against subsidiary banks for services performed on their behalf by the parent company. These services included, but were not limited to, the following: external audit services, accounting and financial planning services and data processing services. The amounts of such fees were based upon an allocation of the cost to the Corporation of providing these services. The bank regulators have questioned the propriety of management fees charged to member banks. Management is presently in discussions with appropriate regulatory authorities regarding the propriety of its management fees and the manner in which they have been assessed. Currently management fees are not being collected by the Corporation, and holding company expenses are being paid out of current cash reserves.

At March 31, 1992 the Corporation had drawn $4.95 million on its line of credit of $5.0 million from Team Bank, a successor to TAB/FW, the original lender. As security for the loan, the Corporation granted to TAB/FW a security interest in all the capital stock of Eagle Pass, Laredo, and the former NBC Bank-Rio Grande Valley, N.A. (closed by the FDIC on June 1, 1990) (the "Collateral Subsidiaries").

At March 31, 1992 the remaining Collateral Subsidiaries represented approximately 64.5% of the consolidated banking assets of the Corporation and had approximately $7.7 million in shareholders' equity, which accounted for aproximately 69.1% of the remaining positive shareholders' equity in all the Corporation's subsidiary banks.

Other than the line of credit with Team Bank, the Corporation's other borrowed funds consist primarily of $25.0 million in 10% Convertible Subordinated Debentures due 2006. Additionally, in connection with the acquisition of various banks over the years, the Corporation has assumed the responsibility to pay 10% Subordinated Debentures which began maturing serially in 1989 and will continue through 1993 and 9% Subordinated Debentures maturing in 1995. Such debentures have no sinking fund requirements. At March 31, 1992, these obligations totaled approximately $2.6 million. Of the Corporation's long-term debt outstanding at December 31, 1990, approximately $0.4 million is scheduled to mature annually during the period 1992 and 1993, and the remainder will mature after 1993.

On January 29, 1990, the Board of Directors of the Corporation determined not to make payment on February 1, 1990, the scheduled $1.25 million interest payment on its $25.0 million 10% Convertible Subordinated Debentures. Under the terms of the governing indenture, this nonpayment of interest would have become an "Event of Default" on March 3, 1990. The debentures provides that the holders of a majority in aggregate principal amount of the debentures have the right to direct the trustee with regard to the time, method and place of conducting and proceeding for any remedy available to the Trustee.

On March 2, 1990, the Board of Directors of the Corporation determined to make the interst payment on its $25.0 million 10% Convertible Subordinated Debentures and sufficient funds were transferred to the Trustee to avoid such default under the terms of the governing indenture. The interest payment of $1.25 million plus interest on that amount at 10% per annum was made on March 27, 1990, to bondholders of record on March 19, 1990.

Because of the Corporation's filing of the Chapter 11 proceedings on June 8, 1990, the Corporation is prohibited from making further debt payments without the authorization of an order issued by the Bankruptcy Court. The Corporation will resolve these debt obligations in accordance with the Third Amended Plan of Reorganization confirmed by the Bankruptcy Court. For a discussion of the Plan of Reorganization, see "Current Status of the Corporation."

AVERAGE BALANCE SHEETS
(Dollars in Thousands)

	1992	1991			
	First Quarter	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
Assets:					
Federal funds sold	$ 12,584	$ 13,805	$ 15,985	$ 18,854	$ 21,549
Time deposits with banks	1,414	1,528	627	408	217
Investment securities:					
Taxable	71,469	66,804	67,988	70,087	61,757
Tax-exempt	779	1,039	1,437	1,727	1,964
Loans, net of discounts	105,780	112,667	123,412	137,271	153,321
Total earning assets	192,026	195,843	209,449	228,347	238,807
Allowance for possible credit losses	(7,131)	(7,568)	(8,026)	(9,447)	(10,056)
Cash and due from banks	10,472	10,557	11,730	11,729	14,178
Premises and equipment	4,026	4,077	4,166	4,307	4,363
Other assets	7,735	8,076	8,542	8,048	8,633
	$ 207,128	$ 211,385	$ 225,861	$ 242,984	$ 255,926
Liabilities and Shareholders' Deficit:					
Savings, NOW and Money Market deposits	$ 62,206	$ 61,868	$ 70,917	$ 82,974	$ 85,536
Time deposits	100,907	105,293	110,969	115,070	122,642
10% Convertible Subordinated Debentures	25,000	25,000	25,000	25,000	25,000
Other borowings	7,554	7,554	7,554	7,554	7,554
Total interest-bearing liabilities	195,667	199,715	214,440	230,598	240,732
Demand deposits	26,441	26,480	26,293	261,782	29,516
Other liabilities	5,163	4,883	4,579	4,117	3,704
Shareholders' deficit	(20,143)	(19,693)	(19,451)	(18,513)	(18,027)
	$ 207,128	$ 211,385	$ 225,861	$ 242,984	$ 255,926
Deposit distribution:					
Noninterest-bearing	14.0%	13.7%	12.6%	11.9%	12.4%
Time	53.2	31.9	53.3	51.2	51.7
Other interest bearing	32.8	54.4	34.1	36.9	35.9
	100.0%	100.0%	100.0%	100.0%	100.0%

TAXABLE EQUIVALENT STATEMENTS OF OPERATIONS
(Dollars in Thousands, Except Per Share Amounts)

	1992	1991			
	First Quarter	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
Interest income:					
Loans	$ 2,728	$ 2,963	$ 3,200	$ 3,695	$ 4,525
Time deposits with banks	21	24	9	8	3
Federal funds sold	125	168	228	272	330
Investment securities:					
Taxable	1,177	1,148	1,159	1,149	1,058
Tax-exempt	24	33	47	45	59
Total interest income	4,075	4,336	4,643	5,169	5,975
Interest expense:					
Savings, NOW and Money Market deposits	539	656	859	1,011	1,156
Time deposits	1,104	1,382	1,575	1,765	2,112
Federal funds purchased	---	1	---	---	---
Other short-term funds	---	---	---	---	---
10% Convertible Subordinated Debentures		---	---	---	---
Other borrowings	131	126	127	95	130
Total interest expense	1,774	2,165	2,561	2,871	3,398
Net interest income	2,301	2,171	2,082	2,298	2,577
Provision for possible credit losses	173	140	90	135	425
Net interest income (expense) after provision for possible credit losses	2,128	2,031	1,992	2,163	2,152
Noninterest income:					
Trust income	(6)	6	11	(1)	6
Service charges on deposits	328	354	366	345	311
Other service charges	85	30	83	58	124
Investment securities transactions	---	8	3	37	68
Other	66	49	527	31	11
Total noninterest income	473	447	990	470	520
Noninterest expenses:					
Salaries and benefits	1,062	1,537	1,085	1,280	1,237
Net occupancy	160	94	162	160	185
Equipment	98	142	112	120	83
Net expenses related to repossessed assets	17	(11)	182	132	59
Other	1,270	1,239	1,637	2,012	710
Total noninterest expenses	2,607	3,001	3,178	3,704	2,274
Income(loss) before taxes	(6)	(523)	(196)	(1,071)	398
Taxable equivalent adjustments	16	20	24	23	30
Income(loss) before taxes	(22)	(543)	(220)	(1,094)	368
Income tax expense (benefit)	---	---	---	---	---
Net income(loss)	$ (22)	$ (543)	$ (220)	$ (1,094)	$ 368
Per share:					
Primary	$ (.00)	$ (.05)	$ (.02)	$ (.09)	$ .03
Fully diluted	$ (.00)	$ (.05)	$ (.02)	$ (.09)	$ .03

AVERAGE INTEREST RATES AND SELECTED OPERATING FINANCIAL RATIOS
(Taxable Equivalent Basis)

	1992	1991			
	First Quarter	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
Yields on earning assets:					
Time deposits with banks	5.93	6.12%	5.98%	7.51%	6.04%
Federal funds sold	3.97	4.84	5.67	5.76	6.22
Investment securities:					
Taxable	6.60	6.81	6.76	6.57	6.95
Tax-exempt	12.51	12.88	13.00	10.31	11.98
Loans, net of discounts	10.35	10.43	10.29	10.80	11.97
Other earning assets	---	---	---	---	---
Total earning assets	8.51	8.78	8.79	7.08	10.15
Rates on interest-bearing liabilities:					
Savings, NOW and Money Market deposits	3.47	4.21	4.80	4.89	5.49
Time deposits	4.93	5.21	5.63	6.15	6.98
Federal funds purchased	---	---	---	---	---
Other short-term funds	---	---	---	---	---
10% convertible Subordinated Debentures	---	---	---	---	---
Long-term debt	6.98	6.64	6.64	5.05	6.98
Total interest-bearing liabilities	3.64	4.30	4.74	4.99	5.73
Average interest rate spread	4.88%	4.48%	4.05%	4.09%	4.42%
Ratio of interest-bearing liabilities to earning assets (average)	101.90%	101.98	102.38%	100.99%	100.81%
Average interest cost of earning assets (total interest expense as a percent of average earning assets)	3.71	4.38	4.85	5.04	5.77
Net interest margin (net interest income as a return on average earning assets)	4.81	4.40	3.95	4.03	4.38
Other selected ratios:					
Deficit to assets (average)	(9.7)	(9.3)	(8.6)	(7.6)	(7.0)
Loans to deposits (average)	55.8	58.2	59.3	61.1	64.5
Earning assets to total assets (average)	92.7	92.7	92.7	94.0	93.3

NATIONAL BANCSHARES CORPORATION OF TEXAS
DIRECTORS AND OFFICERS

DIRECTORS

RICHARD W. CALVERT
Chairman of the Board
National Bancshares Corporation
of Texas

MARK W. JOHNSON
President and (Principal Executive Officer,
Principal Financial Officer &
Principal Accounting Officer)
National Bancshares Corporation
of Texas

WALTER W. CORRIGAN
President
Corrigan Enterprises, Incorporated

JAMES V. GILLESPIE
Gillespie Ford

MARTIN GOLAND
President
Southwest Research Institute

H. FRED HARMISEGGER
President
Park Lane Investments, Inc.

BISHER RANDALL
Consultant: Investments in Commercial
Real Estate and Farming Operations

ARTHUR A. SELLIGSON, JR.
Oil/Investments

LOUIS H. STUMBERG
Del Monte U.S.A./Retired

H. B. ZACHRY, JR.
Chairman of the Board
H. B. Zachry Co.

Advisory Directors

A. FAYED
Investments

OFFICERS

MARK W. JOHNSON
President
(Principal Executive Officer,
Principal Financial Officer &
Principal Accounting Officer)

SHAREHOLDER INFORMATION

Executive Offices:
85 N. E. Loop 410
Suite 200
San Antonio, Texas 78216
(512) 340-4973

Stock Transfer Agent:
Nations Bank of Texas

Financial Contact:
Mark M. Johnson
President (Principal Executive Officer,
Principal Financial Officer and
Principal Accounting Officer)
85 N. E. Loop 410
Suite 200
San Antonio, Texas 78216
(512) 340-4973

DIRECTORY OF MEMBER BANKS
National Bancshares Corporation of Texas
85 N. E. Loop 410, Suite 200
San Antonio, Texas 78216

National Banking Associations

NBC Bank - Eagle Pass, N.A.
439 Main Street
Eagle Pass, Texas 78852
(512)773-2313

NBC Bank - Laredo, N.A.
I. H. 35 at Mann Road
Laredo, Texas 78041
(512)724-2424

State Banking Association

NBC Bank - Rockdale
140 East Cameron
Rockdale, Texas 76567
(512)446-5700

Equal Opportunity Employer

All NBC of Texas banks
are members FDIC

PART II
OTHER INFORMATION

Item 1. Legal Proceedings

The Corporation and certain of its subsidiaries are defendants from time to time with respect to certain claims incidental to their businesses, including principally so-called lender liability claims in which borrowers, bankruptcy trustees, creditors and others assert claims that the Corporation or a subsidiary bank failed to act in good faith with respect to loan negotiations or workout practices or breached commitments to advance funds. Many of these claims have been asserted as counterclaims in lawsuits initiated by a subsidiary bank seeking to recover amounts due the bank as a result of delinquent loans. The following lawsuits are currently pending against the Corporation:

A. Hilton Development, Inc. et al. v. National Bancshares Corp. of Texas, J. Whetsell, G. Brown, P. Coyne, J. Mann, J. Rollins, G. Ferguson, et al., No. C-89-00144-02, now consolidated with Clash, Inc. d/b/a Pilgrim Laundry v. Hilton Development, Inc., et al. v. NBC Bank-Houston, N.A., et al., No. 87-06192, in the District Court of Harris County, Texas 133rd Judicial District.

This suit was filed on December 9, 1988, and Plaintiffs allege fraud, breach of promise, conspiracy, usury, violation of the Deceptive Trade Practices Act and negligent misrepresentation in connection with a construction loan. No discovery has been conduct to date. Upon information and belief, trial had been set for March 1992. The automatic stay has not been lifted to allow prosecution of the suit against the Debtor to proceed.

B. Margaret Laymon v. NBC Bank-Edinburg a/k/a NBC Bank-Rio Grande Valley, N.A., National Bancshares Corporation of Texas, R. Calvert, M. Johnson, P. Rodriguez and FDIC, No. C-3844-87-D, in the District Court of Hidalgo County Texas, 206th Judicial District.

Plaintiff held two CD's styled in her name and Richard Laymon in First State Bank & Trust Company, Edinburg, which bank was placed into receivership and its assets and liabilities were purchased by NBC Bank-Rio Grande Valley. Plaintiff attempted to withdraw the CD's; however, she was unable to do so since they were being held to pay a debt owed by Richard Laymon. Plaintiff, asserting that Richard Laymon had no real ownership interest in the CD's, in 1987 sued for alleged violations of Deceptive Trade Practices Act and conversion. In March 1990, Plaintiff added the Corporation as a defendant alleging that the Corporation was directly involved in "holding" the CD's. The automatic stay has not been lifted to allow prosecution of the suit against the Corporation to proceed.

The FDIC, as Receiver for the former First State Bank, has indicated to the Corporation that pursuant to the terms of the Purchase and Assumption Agreement by which First State Bank assets and liabilities were purchased, the FDIC will indemnify the Corporation in this matter.

C. Maria Magdalena Trevino as next friend of her son, Jesus Trevino, a person of unsound mind v. National Bancshares Corporation of Texas, Manuel Baez Flores and Sylvia Trevino, Cause No. C-90-00113-02, in the District Court of Webb County, Texas, 111th Judicial District.

Plaintiff was injured in an auto accident involving an employee of the Corporation or its then affiliate, NBC Bank-San Antonio (which bank is now in an FDIC receivership), engaged in the employer's business. Defendant's insurer reached a settlement which Plaintiff, via next of friend, seeks to overturn alleging that as a result of the accident, Plaintiff was rendered incompetent and that Plaintiff's then wife and the Defendants defrauded Plaintiff by entering into a settlement agreement which allowed the wife to receive the settlement proceeds. Bancshares' insurer has assumed the defense. The automatic stay has not been lifted to allow prosecution of the suit against the Corporation to proceed.

D. NBC Bank-San Antonio, N.A. v. E. W. Schrader and Nell Y. Schrader v. National Bancshares Corporation of Texas, Cause No. 89-CI-08760, in the District Court of Bexar County, Texas, 224th Judicial District.

NBC Bank-San Antonio filed suit to collect on a note owed by Defendant Schrader. Defendant Schrader alleges he was induced to obtain the loan and remit the proceeds to NBC Bank-Corpus Christi to pay sums allegedly due the latter bank by Defendant's son, under an agreement with the Corporation that no action would be taken against his son. Defendant claims that the Corporation breached this contract--as a referral on the son's activities was made to the bonding company--and Defendant, therefore, in November 1989, added Bancshares as a Third-Party Defendant in this matter. Defendant alleges breach of contract and seeks cancellation of all notes. The automatic stay has not been lifted to allow prosecution of the suit against the Corporation to proceed.

The Bankruptcy Code provides that any actions against the Corporation, a debtor-in-possession, are automatically stayed and cannot be further pursued without the prior approval of the Bankruptcy Court. As discussed herein, confirmation of the Third Amended Plan of Reorganization results in the Corporation being discharged from any debt or liability on a claim that arose prior to the confirmation date regardless of whether: 1) a proof of claim based on such debt is filed or deemed to have been filed, 2) such claim is allowed, or 3) the holder of such claim has accepted the Third Amended Plan of Reorganization. Further, under the Corporation's Third Amended Plan of Reorganization, holders of claims against and equity interests in the Corporation will generally be enjoined from commencing, continuing, or otherwise taking any action or proceeding with respect to any claim or equity interest or otherwise asserting any claim against the Corporation.

The Bank Secrecy Act and applicable regulations require financial institutions to file Currency Transaction Reports ("CTRs") with the IRS providing certain information regarding cash transactions in excess of $10,000 by customers who are not exempt from the requirement ("Covered Transactions"). In July 1986, Eagle Pass reported to the Treasury Department that it could not confirm that Eagle Pass had timely filed certain CTRs with respect to what were believed to be Covered Transactions. Details regarding the transactions were provided to the Treasury, and Eagle Pass instituted additional procedures to ensure that all required CTRs were filed. Supplemental information has been provided to the Treasury, with the last correspondence occurring in early 1989. Eagle Pass has not been advised what, if any, remedial action will be required by the Treasury.

The Corporation and its subsidiaries own various parcels of real estate, including bank premises and a large number of parcels acquired through foreclosure or otherwise obtained in partial satisfaction of debts owed the banks. Certain of these parcels may contain hazardous materials or otherwise give rise to claims against the banks for environmental contamination, clean up costs or other liability derived from applicable state or federal statutory or common law and regulations. No claims against the Corporation or its Subsidiaries have been asserted at this time.

See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Analysis of Results of Operations--Current Status of the Corporation."

As previously disclosed, the Corporation was advised by its actuaries that if the Corporation were to continue sponsorship of the Corporation's pension plan ("Pension Plan") at its present level or terminate it under applicable law, such options may have a material adverse impact on the Corporation's efforts to undergo a successful reorganization. In this connection, the Corporation had previously entered into a letter agreement dated February 28, 1991 ("Letter Agreement") with NationsBank providing, among other things, for the global settlement of a number of issues including, without limitation, the assumption by NationsBank of the sponsorship of the Corporation's Pension Plan. However, NationsBank had indicated that it would not assume sponsorship of the Pension Plan despite the Letter Agreement, and, to avoid expensive and protracted litigation, the Corporation and NationsBank have been engaging in settlement discussions by exploring the possibility of modifying the Letter Agreement.

The Corporation and NationsBank have now reached a successful conclusion to such settlement discussions to modify the Letter Agreement, and the Bankruptcy Court by order dated April 23, 1992 has approved the terms of the settlement agreement. Generally, the settlement with NationsBank provides for the transfer of certain assets and liabilities of the Corporation's Pension Plan to NationsBank pursuant to section 414(l) of the Internal Revenue Code. While this transfer enables the Corporation to consider the option of terminating or continuing sponsorship of the portion of the Pension Plan that is remaining with the Corporation, the Corporation has been advised by its actuaries that due to the fluctuation in interest rates and other market forces there can be no assurance that the continuation in sponsorship or termination of the Corporation's portion of the Pension Plan could be achieved in a manner that would not result in a material adverse impact on the financial condition of the Corporation or its subsidiary banks in the future.

As also previously disclosed, the Internal Revenue Service ("IRS") may attempt to assert a substantial claim for income taxes against the Corporation based on the FDIC's provision of assistance in connection with the transactions pursuant to which the assets and liabilities of the Corporation's Closed Banks were transferred to NationsBank on June 1, 1990. In May of 1990, prior to the date the Closed Banks' assets and liabilities were transferred to NationsBank, the Corporation conveyed (the "Transfer") 21% of the stock of its Closed Banks and 21% of the stock of Eagle Pass to Bellarmino Limited, an Irish subsidiary of the Corporation. Among other consequences, management believes that, as a result of the Transfer, the Closed Banks and Eagle Pass became ineligible to continue

filing consolidated federal tax returns as members of the affiliated group of which NBC is the common parent (the "NBC Group"). If the Transfer is respected by the IRS, any potential liability of NBC for taxes attributable to the provision of assistance may be eliminated. On the other hand, the IRS may argue that the Transfer did not effectively eliminate the tax liability attributable to the FDIC's provision of assistance. The Corporation has also taken an additional step to attempt to ensure that the Closed Banks were not members of the NBC Group at the time the FDIC provided financial assistance to NationsBank with respect to the Closed Banks. This additional step involved the filing on December 10, 1991 of an application to deconsolidate under IRS Revenue Procedure 91-11.

The final resolution of the Corporation's deconsolidation efforts is significant to the Corporation. While the IRS has not indicated whether or not it will respect the Corporation's deconsolidation efforts, the Corporation is aware of no apparent reason why relief should not be granted. Nevertheless, should the IRS successfully contend that both the Transfer and the subsequent application to deconsolidate pursuant to IRS Revenue Procedure 91-11 were ineffective, the Corporation believes it has a reasonable legal position that the provision of FDIC assistance to NationsBank did not result in net taxable income to the consolidated group of which NBC was then and is now the common parent. If neither the Corporation's deconsolidation efforts nor its legal position is successful, the Corporation could be liable for federal income taxes attributable to the payment of assistance by the FDIC to NationsBank. The Corporation believes that it is possible that any such income tax liability could virtually eliminate all potential recoveries to the Corporation's creditors and therefore may have a material adverse impact on the reorganization efforts as well as the financial condition of the Corporation and its subsidiary banks. It is also possible, however, that the IRS may adopt as final regulations proposed regulations that may reduce or eliminate the Corporation's exposure for such taxes regardless of whether the IRS accepts the Corporation's deconsolidation efforts.

Item 6. Exhibits and Reports on Form 8-K

a. The following are filed as part of this report:

Exhibit 11 Statement re: Computation of Loss Per Share

b. Reports on Form 8-K

No reports on form 8-K were filed during the Quarter ended March 31, 1992.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

NATIONAL BANCSHARES
CORPORATION OF TEXAS

Mark M. Johnson

Mark M. Johnson
President
(Principal Executive Officer, Principal Financial Officer and Principal Accounting Officer)

Dated: May 12, 1992

EXHIBIT INDEX

Exhibit No.	Description of Exhibit	Sequentially Numbered Page
11	Statement re: Computation of Earnings (Loss) Per Share	61

NATIONAL BANCSHARES CORPORATION OF TEXAS
COMPUTATION OF EARNING (LOSS) PER SHARE
(Dollars in Thousands, Except Per Share Amounts)

	Three Months Ended March 31	
	1992	1991
Primary:		
Net income (loss)	$ (22)	$ 368
Weighted average number of shares outstanding	11,869,516	11,869,516
Per share	$ (.00)	$ .03
Fully Diluted:		
Net income (loss)	$ (22)	$ 368
Adjustment for interest expense, net of Federal income tax effect applicable to common shares in connection with 10% Convertible Subordinated Debentures	$ ---	$ ---
Adjusted net income (loss)	$ (22)	$ 368
Weighted number of common shares outstanding	11,869,516	11,869,516
Weighted number of common shares issuable in connection with 10% Convertible Subordinated Debentures	1,133,005	1,133,005
Per Share	$ (.00)	$ .03